

Amsterdam	100.00	London	100.00
Bombay	100.00	Madras	100.00
Calcutta	100.00	Delhi	100.00
Hyderabad	100.00	Jaipur	100.00
Kolkata	100.00	Lucknow	100.00
Mumbai	100.00	Nagpur	100.00
Pune	100.00	Rangoon	100.00
Singapore	100.00	Taipei	100.00
Tokyo	100.00	Yokohama	100.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

EUROPE

Portugal takes over EC presidency

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FT No. 31,647

THE FINANCIAL TIMES LIMITED 1992

Thursday January 2 1992

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12 questions for 1992

The new year seems among the bleakest in recent memory. In a special feature, FT writers answer the 12 most pressing questions facing the world this year. Page 10



World News

Croatia and Serbia accept plan to send UN troops

UN envoy to Yugoslavia Cyrus Vance announced that the warring republics of Serbia and Croatia had both agreed to an ambitious plan to send some 10,000 UN peacekeeping troops. Page 12

Salvador ceasefire

The El Salvador government and leftwing rebels agreed a peace plan to begin with a February 1 ceasefire in the 12-year civil war. Page 12

Georgia fighting erupts

Fighting erupted in Tbilisi. As Georgians tried to celebrate the new year, the capital echoed to the sound of gunfire and explosions. Page 12

Pakistan accused

Indian prime minister P.V. Narasimha Rao accused Pakistan of using "state terrorism" in the Indian states of Punjab and Kashmir. Page 3

Korean summit agreed

The presidents of North and South Korea, still technically at war but moving towards rapprochement, will hold a summit in March. South Korean television reported. Nuclear pact, page 3

Bush pledge in Sydney

President George Bush sought to allay fears among Pacific allies that the US might retreat from close defence and economic links with the region. He said in Sydney: "We won't let you down".

Mother Teresa III

Mother Teresa, 81, remained seriously ill in hospital at La Jolla, California. She was taken there from nearby Tijuana, Mexico, over Christmas suffering from bacterial pneumonia and a heart complaint.

Public executions urged

President Saddam Hussein's eldest son called for a return to public executions in Iraq after a wave of post-Gulf war crime. Page 3

Mafia murders

The Sicilian Mafia claimed its first victims of 1992 when gunmen burst into a bar and opened fire on a group of strangers from a New Year's Eve celebration, killing three.

Siege ends in death

A gunman who walked into a bank at Placentia, California, saying he had a briefcase filled with explosives, killed himself after a five-hour hostage siege involving 28 people.

Bombs wreck school

Six explosions damaged a school in the eastern Transvaal, apparently set off by South African rightwingers angered by plans to admit black pupils to previously all-white classes.

Liquor kills 7

Seventy-one new year revellers died in Bombay and another 35 are critically ill after drinking contaminated liquor at a licensed bar.

Oslo statue stolen

Thieves stole one of Norway's best-known statues from a park in central Oslo - a 5th-century Viking bronze of a boy with clenched fists.

Business Summary

Rescue drive expected for failed French TV station

FRENCH television station La Cinq is expected to be put under the control of an administrator within the next few days. The administrator will try to devise a rescue package for the channel which filed for court protection against its creditors on Tuesday.

The collapse of La Cinq, which was launched in 1986, is a serious setback for Hachette, heavily indebted French media group which has been running the channel for the past 18 months. Hachette and Italian media mogul Silvio Berlusconi each own 25 per cent of the equity. Page 13

MAXWELL Communication Corporation chairman Peter Laister said he was considering resigning following UK High Court approval of an arrangement covering the company's administration in the US that removes the MCC board's powers. Page 13; Black bid for Maxwell Israeli interests, Page 14

US TAKEOVER activity slumped by almost one-third last year with just 4,464 deals struck at a total value of \$145.6bn, down from 5,150 transactions and \$211.9bn in 1990. Many deals that took place were in a small number of consolidating sectors. Page 14

EUROPE will become the world's richest market with enough clout to demand changes in the American legal and regulatory system, says a US Chamber of Commerce report. Page 2

GERMAN government should use its legislative powers to limit Civil Service pay rises this year to 5 per cent, said economics minister Jürgen Mallemann. Page 2

SIEMENS, German electrical and electronics group, has taken control of the Pilsen transport division of Skoda, Czechoslovakia's largest engineering company in a deal valued at \$105m. Page 15

UK RECESSION will end this year, says an FT survey of economic forecasts. But unemployment will hit 2.7m and public borrowing will climb to £20bn, according to the economists. Page 4

JAPANESE car industry was urged by prime minister Kiichi Miyazawa to help Americans sell cars in Japan and to mend trade tensions during President George Bush's visit next week. Page 3

BRAZIL had an inflation rate of 460 per cent in 1991 and an economy growing at only 0.5 per cent, with zero growth forecast for 1992. Page 2

MORGAN GRENFIELD was named the UK's top merchant bank adviser, according to the FT Mergers & Acquisitions International magazine. It was the bank's first top place in the rankings since 1987. Page 14

NIGERIAN President Ibrahim Babangida appealed for "concessional" treatment of the country's \$33.4bn external debt. Page 3

HUNGARY's budget has imposed cuts in state spending and the public-sector deficit. Page 2

Moscow prepares for backlash as price controls end

By Leyla Boulton in Moscow

EXTRA POLICE are being deployed in Moscow to guard against a possible explosion of popular anger against price rises introduced today by President Boris Yeltsin.

Mr Arkady Murashov, the capital's police chief, said an additional 1,000 police would be on the streets in case of attack on shops and traders, or other disturbances. There are usually 6,000 police on duty at any one time in this city of 5m people. "We are preparing for the worst although I do not believe there will be attacks as rumours have it," he said yesterday.

The long-feared price liberalisation, ending decades of artificially low fixed prices, will free the prices of consumer goods and most food products. Six basic commodities - bread, milk, matches, salt, vodka and energy - will remain fixed but between three and five times higher than their present level.

Russia was to have acted alone on price liberalisation today, but reports from the Ukraine yesterday suggested that the second largest state in the new commonwealth would emulate Russia on the same day. Other newly independent states plan a combination of price reforms and trade barriers in coming days to limit the flight of goods from their territory.

In a telling indication of

what the freeing of retail prices will mean, new producer-prices published in St Petersburg showed the price of meat rising more than twelve-fold from Rbs7 to Rbs90 a kilo. Beer, which is virtually unobtainable in state shops at present, will be sold to retailers for Rbs200, up from the present official price of Rbs3.5.

The minimum wage was only recently raised to Rbs200 a month. Price liberalisation is being presented by the Russian government as the key to economic reform. But a senior western financial official said today's rises were primarily a political measure since there was no real monetary, budgetary or privatisation policy in place. The main merit would be to start irreversible change, paving the way for a comprehensive economic reform programme, to be agreed with the International Monetary Fund and other experts.

The reform was also an attempt to break the power of local mafias which had thrived on seven decades of fixed low prices and to "show other republics who is the boss".

Galya, a policewoman who said she and her colleagues were on special alert, summed up widespread popular fears which have had plenty of time to build up since Mr Yeltsin first announced the planned price reforms. "Life with the

higher prices will be so awful I cannot even imagine what it will be like," she said.

But Mr Murashov, a prominent liberal politician recently appointed to reform the Moscow police force, said that although he expected tension in the first few weeks, the price liberalisation would ultimately bring stability.

Like many shops, the doors of Gastronom No 45 were closed yesterday, with new year's day still the country's most cherished public holiday. Inside, Mr Alexander Sokolov, the supermarket's director, was busy with his book-keepers preparing for the new prices.

He said after 74 years of communist rule, it would take at least a few weeks for supplies to begin to improve. While he was sure of receiving his supplies of bread in time for today, when a loaf will sell for Rbs1.80 instead of 60 kopecks, he was still hoping that deliveries of milk would finally arrive overnight after a week of having none at all on his shelves.

"It will be terrible to have new high prices but no milk," he said. "The happiest day in my life will be when everything works as it should in my shop."

Fresh fighting mars Tbilisi's New Year's Day celebrations. Page 12



US president George Bush during a visit to the Australian Maritime Museum in Sydney yesterday. The periscope is from a submarine similar to one which rescued him during the Second World War. On the second day of a 12-day tour of Australia and Asia he sought to allay fears that the US might neglect the region. He said Washington had not forgotten Asia, despite recent a preoccupation with the Soviet Union and Middle East

Recession deeper than expected admits Major

By Ralph Atkins in London

MR JOHN MAJOR, the UK prime minister, admitted yesterday that the recession was proving "deeper and longer" than he had expected and warned that harsh international trading conditions were holding back the recovery he believed was under way.

However, the prime minister firmly backed Mr Norman Lamont, the chancellor of the exchequer, against recent attacks on the Treasury's handling of the economy - signalling a determination to brazen out the political storm over the recession.

He dismissed a sterling devaluation as a "silly way to

proceed" and said interest rates would rise if necessary to defend the pound. He ruled out taking "short-term risks" with the economy to boost support for the ruling Conservative party ahead of next year's general election.

Despite his relative gloom about UK prospects and his fears of a developing international recession, he insisted that a "jagged and irregular" recovery had started in the UK.

"If for example one looks back at the 1981 recession, we can now see, in retrospect, that recovery was starting at exactly the moment most people were gloomy and believed

they would never see it," he said. He hinted, however, that downward revisions to official growth forecasts could result from the gloomy world economic climate.

Speaking on BBC Radio he implicitly accepted that Mr Lamont was facing fierce pressure from within Conservative ranks and outside. But he said: "This criticism focusing upon the Chancellor is not fair and I myself do not share it."

Mr Major said the US, Germany and Japan were "all moving towards recession. Growth is falling away in all

those countries." Many other countries were either in recession or are moving towards it. "That international environment is holding back recovery in this country."

His wariness at painting too optimistic a picture at this stage will add to speculation that he plans to call the general election for May or later, rather than early spring. He spoke of Britain "moving out of recession in the months ahead towards an acceptable level of growth."

The prime minister faces mounting pressure as the opposition Labour party seeks to intensify political activity in

the run-up to the election and pin blame for the recession squarely on the prime minister.

Mr John Smith, Labour's financial spokesman, said it was "preposterous" for the government to blame other countries for Britain's problems. "In the past they have blamed Labour governments and the trade unions, now it appears it is foreigners once again," he said.

Mr Alan Beith, the Liberal Democrats treasury spokesman, said: "Britain has great opportunities but it will never seize those opportunities if it pretends that recession will

simply go away."

On the precariousness of Treasury economic forecast, the prime minister went further than Mr Lamont's comments in an interview with the FT earlier this week. Forecasts depended on the assumptions on which they were based - including the economic performance of international trading partners, Mr Major said.

In November's Autumn statement, the Treasury was more upbeat than most inde-

Continued on Page 13
Economists predict, Page 4
Future Imperfect, Page 10
Lex, Page 12

East German security files opened to public scrutiny

By Leslie Collett in Berlin

HUNDREDS of thousands of files kept by the former East Germany's Stasi security police will be opened today, threatening to split families and ruin friendships as unpleasant secrets about the past are uncovered.

The files on nearly 2m citizens - both informers and those informed on - occupy some 200km of shelves in several government buildings in central east Berlin.

Mr Joachim Gauck, head of the Berlin-based federal agency which administers the Stasi documents, said citizens would have to apply in writing to see their files. He expected about 70,000 east and west Germans to do so each month.

His newly created agency, with branch offices in main cities, has more than 500 employees. It aims to increase that number by about 200 a month to 3,400 to cope with the demand for files. That will be more than the Treuhänder agency, charged with privatising former east German state

companies, which employs just under 3,000.

Mr Gauck warned people to reflect on the possible consequences before applying to read their files. "A human catastrophe could come about if someone discovered that a member of his own family informed on him," the 51-year-old east German pastor suggested.

Parents were known to have foiled plans by their own children to escape to the west by informing the Stasi. In some cases they were afraid that the children would be shot by border guards. Communist functionaries feared loss of their privileges if their children escaped.

Ms Bärbel Bohley, a founder of the New Forum movement which helped topple the Communist regime, will be among the first to gain access to her own voluminous file. She recently learned that a close friend and fellow opponent of the Communists served as a longtime informer for the

Stasi, or Ministry of State Security.

A senior east German official said last year that he opposed opening the Stasi files as it would lead to "murder and homicide." However, Mr Gauck said that opening the files was an essential part of "coming to terms" with east Germany's recent past.

Some Germans argue that Bonn wants east Germans to atone for the communist past in a way that perhaps west Germans have failed to do over their Nazi past.

Among those working for Mr Gauck are more than 12 former Stasi officials with an intimate knowledge of the complex filing system containing some 6m entries. Many of these consist of code names and real names of the 300,000 informers and their more than 1.5m victims.

Among the Stasi files is one on this correspondent who has reported from East Germany since 1961 and was kept under surveillance on many occasions.

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Establishment takes fright at Algeria's election results

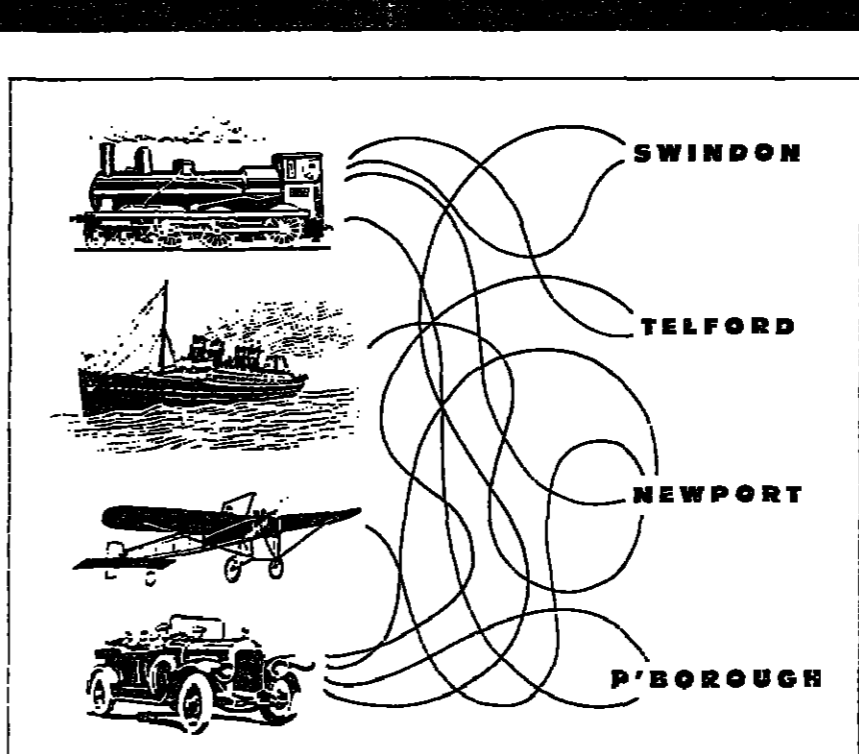


Pressure is mounting on President Chadli Bendjedid (left) to cancel the second round of Algerian elections which confirmed the opposition Islamic Salvation Front as the country's main political party. Page 3

MARKETS (31 December)

STERLING New York lunchtime: \$1.8995 London: \$1.871 (1.867) DM12.0575 (same) FF9.6975 (8.63) SF2.535 (2.5325) Y233.75 (234.75) £ index 91.4 (91.5)	DOLLAR New York lunchtime: DM1.517 FF5.1735 SF1.3565 Y124.515 London: DM1.517 (1.52) FF5.1225 (5.19) SF1.355 (1.357) Y24.95 (25.7) \$ index 60.8 (60.5) Tokyo close: Y125.25 US LUNCHTIME RATES Fed Funds: 4 1/4 3-mo Treasury Bill: 3.53 1/4 Long Bond: 107 1/2 yield: 7.354%	STOCK INDICES FT-SE 100: 2,493.1 (-73.1) FT-A All-Share: 1,187.70 (-2.6%) FT-SE Eurotrack 100: 1,079.41 (-13.67) DJ Ind. Av.: 3,147.81 (-16.1%) S&P Comp: 473.22 (-1.92) Tokyo Nikkei: Closed LONDON MONEY 3-month interbank: 11 1/4 (11 1/2) Life long gilt future: Mar 95 1/2 (Mar 95 1/2)
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INTERNATIONAL NEWS

Möller seeks to keep wage rises to below 5%

Bonn toughens stance on civil service pay

By Christopher Parkes in Bonn

THE German government should use its legislative powers to limit civil service pay rises this year to less than 5 per cent, according to Mr Jürgen Möller, economics minister. This would send a clear signal to the private sector, he said yesterday.

The economy stood at the crossroads. "The next weeks and months will decide if we are to resume growth or to suffer deep and painful cuts," Mr Möller said.

Representatives of the 1.8m civil servants in west Germany, traditionally the first public sector workers to settle their wage deals, said yesterday they would not be singled out for "a special sacrifice". "We shall be seeking a two-figure increase," said Mr Werner Hagedorn, chairman of the Deutsche Beamtenbund civil servants' association.

The OTV union, which represents public sector workers, said the minister's proposal would only hinder negotia-

tions. It was surprising that a "self-styled free-market, liberal minister should suddenly become a proponent of a statutory incomes policy," the union said.

Mr Möller's renewed intervention, following calls from Chancellor Helmut Kohl for moderate settlements, is likely to aggravate already bitter negotiations over 10 per cent claims from unions representing steel, banking and public service workers.

Further bad news from the steel and engineering industries over the holiday highlighted pressures on the economy. Voest Alpine, the Austrian group, announced it was to close its only German special steel works by the end of the year.

The 400 employees at Edelstahlwerk Böhler in Düsseldorf would be deployed elsewhere, the group said.

Engineering and plant makers, second only in industrial rankings to the car industry, said yesterday they expected real falls in production and sales this year.

"All the threads have been cut virtually simultaneously,"

said Mr Alexander Batsch, of the VDMA manufacturers' association, referring to the effects on orders of recession in the west and political and economic turmoil in east Europe.

The only markets showing signs of life were those in south-east Asia, where Japanese engineering had a share of more than 50 per cent, the US 21 per cent and Germany only 12 per cent. German exports to the region had increased 20 per cent to DM1.2bn (\$700m) last year, the association said.

Total overseas deliveries, which account for 60 per cent of the industry's sales, had fallen 20 per cent in the first 10 months of 1991; inland deliveries were up only 1 per cent over the same period, while orders were down 10 per cent.

More than 70,000 engineers were working short-time in November, compared with 3,000 a year earlier, the VDMA said. Companies in the world's third sector, textile machinery, machine tools, motors and agricultural equipment, were all planning to reduce their payrolls.

Finns fearful for Baltic joint ventures

By Enrique Tessieri in Helsinki

FINNISH companies account for most of the investment in joint ventures in neighbouring Estonia, but some businesses fear that chaos in the rest of the former Soviet Union could hamper further foreign projects.

Of the roughly 250 joint ventures established in the former Soviet republic in the past four years, 120 are of Finnish origin. Only a handful, though, are up and running so far.

Estonia is better placed for foreign investment than neighbouring Latvia and Lithuania because of close linguistic, cultural and geographic ties with Finland and consequently with the rest of the Nordic region.

"Considering how expensive production and labour costs are in Finland, it is only natural that many Finnish companies like ourselves are keenly seeking to set up production units in Estonia," says Mr Christian Gröndhal, senior vice-president of Novera, a Finnish construction and agricultural machinery group which owns 51 per cent of Estonia Engineering, a Finn-

land must decide early this year whether to apply for membership of the European Community, President Mauno Koivisto said yesterday. Reuter reports from Helsinki.

Finland, a member of the European Free Trade Association (Efta), is currently assessing advantages and disadvantages of joining the EC and Mr Koivisto said the results

would be made available to parliament this month.

"In announcing our possible willingness to enter membership negotiations we must also state that membership is indeed our goal, should the talks proceed to what for us is a reasonably satisfactory conclusion," Mr Koivisto said in a new year speech.

Some analysts say the task of modernising Estonia's energy sector to meet western standards will require investments of billions of Finnish marks.

According to Mr Gröndhal, trading has been the most important activity of Estonia Engineering, a medium-sized joint venture by Estonian standards. Its turnover has increased from Fm10m (\$2.4m) in autumn 1989-1990 to an estimated Fm15m-Fm15m this year.

"Even if we offer the expertise and, most important, solve the financing problem for Estonian dairies, fisheries and slaughterhouses through complex barter arrangements," said Mr Gröndhal, "these trade

arrangements in some cases may take a year to work out."

One recent example was a fishery in eastern Estonia, on Lake Peipsi. Through Novera Group's European contacts, Estonia Engineering helped the local fishery to acquire a Fm3.5m cold-storage space with a capacity of 300 tonnes, through the sale of fish. The local fishery paid the fish to Estonia Engineering, which in turn sold it for hard currency in the west.

Other items which Estonia Engineering has been able to sell from Estonia in the west through barter and cash deals are hides, powdered milk, cheese and butter.

Mr Aarne Ripp general manager of Estonia Engineering, believes hardships await his country as it attempts to shake off the vestiges of half a century of Moscow rule. "Chaos in Russia and chronic shortages of commodities in Estonia can become strong disincentives for Finnish and foreign firms to do business in this country," he concludes. "Such a situation would spell disaster."

Tough Hungarian budget targets spending by state

By Nicholas Denton in Budapest

HUNGARY is cutting state spending and the public-sector deficit, in a tough new budget which came into force yesterday.

The conservative government forced its draft through parliament this week; the basic shape was unchanged despite pressure to introduce measures to temper the recession.

MPs accepted a budget deficit of F770bn (\$884m), pushing down the forecast public-sector deficit for 1992 to 1.9 per cent of GDP from last year's 3.5 per cent. That should reinforce the downward trend of inflation, which is forecast to halve to 15 per cent over the next 12 months.

Hungary's bloated state spending is also set to fall as a share of economic output, from 66 to 62 per cent. That will be achieved despite a fall in officially recorded GDP of 6.8 per cent in 1991 and forecast stagnation in 1992.

The budget appears to meet conditions set by the International Monetary Fund for continuing a three-year programme of financial assistance. It thus clears the way for Hun-

gary to draw \$435m of IMF credits this year in addition to the \$700m disbursed in 1991. Moreover, IMF approval for Hungarian economic policy releases other official credits and reassures commercial lenders.

Doubts remain among economic analysts over whether the government will be able to keep to its deficit target. Last year the government failed to do this and now it is cutting back dangerously on contingency reserves.

Nevertheless the budget marks the effective end of the consumer subsidies which were a hallmark of the country's former communist regime. Only transport is exempted from the cuts.

Taxation has also been reformed to reduce exemptions and allow companies to write off more easily investments and bad debts against taxable profits.

But the opposition and some bankers have criticised the government for watering down earlier plans for fundamental reform of taxation and spending.

French pâté de foie gras loses some of its class

By Alice Rawsthorn in Paris

PARISIAN shoppers have thronged the narrow streets of the 8th arrondissement in the Les Halles area of Paris in the seasonal rush to buy pâté de foie gras.

Sales of the delicacy - a creamy pâté made from the livers of specially plumped ducks and geese - are strong despite the economic slowdown. Yet producers in the Landes region of south-west France are in trouble.

Prices in France have fallen sharply in the past two years. Imports are rising, while the recession in other countries, notably the US, is making exports more difficult. To add insult to injury, there are allegations of dubious practices in the Les Landes foie gras trade.

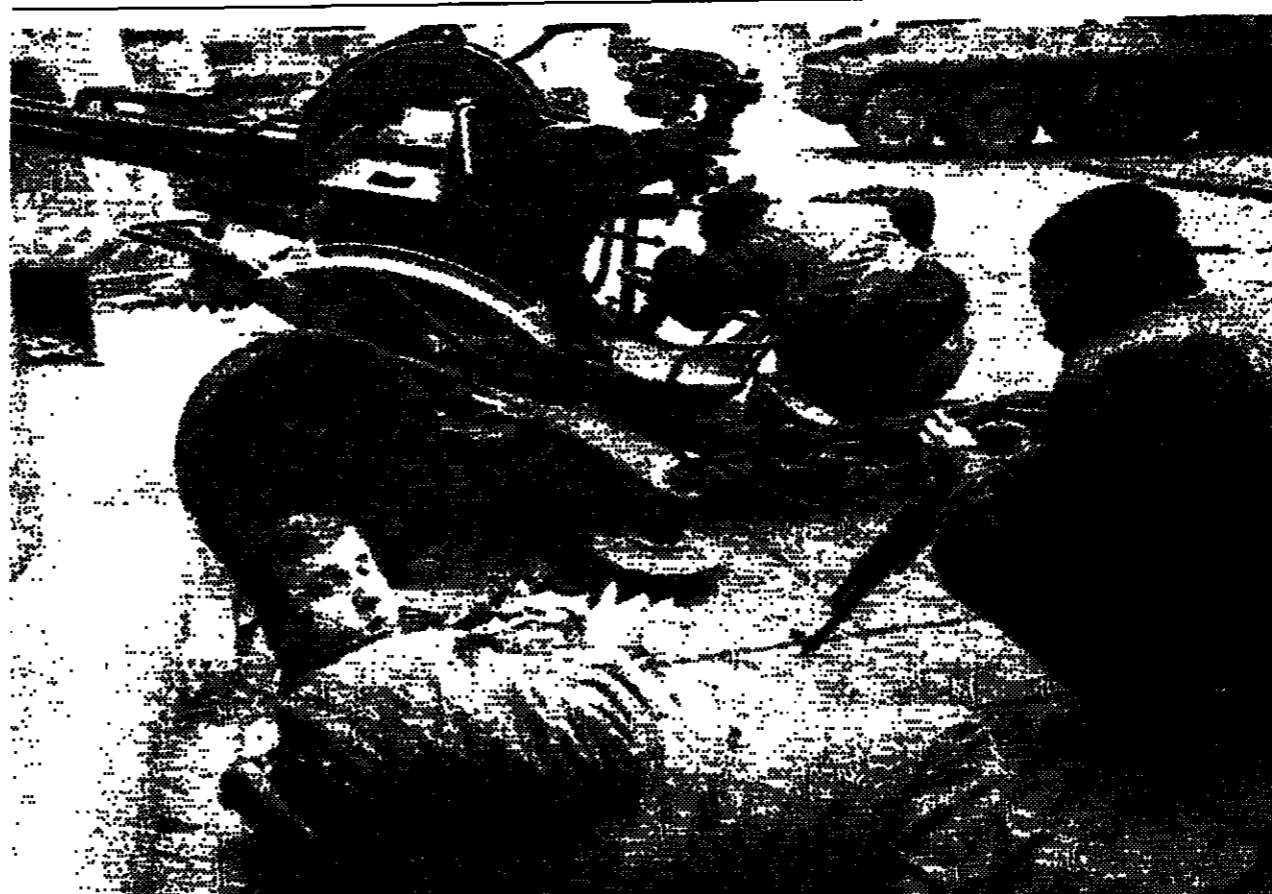
Foie gras, often accompanied by muscat wine or champagne, has been part of the French diet for decades. It is the customary *hors d'oeuvre* over Christmas and New Year holiday when two thirds of the 8,500 tonnes of foie gras sold in France every year are consumed.

The French appetite for foie gras is still strong. But the market is more competitive today than it was a few years ago. Prices have fallen 15 per cent to around Ffr420 (\$78) a kilo for standard goose foie gras in the past two years.

This is partly because of a shift in distribution towards heavily priced supermarkets. It also reflects the continuing increase in imports of eastern European foie gras, which sells for a fifth less.

Exports too are slowing, notably in the US and Japan which showed particularly strong growth in the 1980s. A fifth of the 4,450 tonnes of foie gras made in France last year was sold to other countries.

Mr Emmanuel Jung, secretary general of Roule, a family company based at Paris in the Dordogne, poly to "serious difficulties" in the industry. "Profitability is low. Stocks are too high. Some producers are in a precarious state." Finally, the government has announced an official inquiry into the industry following allegations that some producers are importing foie gras from Hungary and Bulgaria, repackaging it with Made in France labels, and selling it at French prices.



Rebel national guardsmen take cover during clashes which broke out again in the Georgian capital Tbilisi yesterday. Mr Tengiz Kitovani, commander of the rebel national guard in the city, warned that opposition troops would storm the parliament building where President Zviad Gamsakhurdia has been besieged for 11 days.

Europe will be 'richest market in world'

By Nancy Dunne in Washington

EUROPE will eventually become the richest market in the world with enough clout to demand changes in the American legal and regulatory system, according to a US Chamber of Commerce report.

"A single EC banking market provides Europeans with the leverage to seek changes in the more restrictive US financial services market," the report says. "Similar activity has already occurred in other areas, including public procurement and product standards."

Although the single market will be a "good deal" for US business overall, the future is fraught with dangers of trade and economic conflict.

The report, released last month, says the looming failure of the EC to meet its December 31 1992 deadlines, particularly with regard to technical product standards, means US business will be unable to benefit from "one of the most touted benefits of the internal market programme."

Implementation and compli-

ance with EC legislation by the individual governments "remains the Achilles' heel" of the exercise. Only 36 of the 134 measures requiring national implementation by the end of next August have been approved by national legislatures.

"The EC countries have been particularly negligent in implementing environmental and agricultural legislation," the report says. Furthermore the social action programme could force US companies in Europe "to conform to onerous labour

legislation, increase the cost of doing business in the EC and reduce a company's flexibility in management decision-making."

In future the US and EC will compete as "super economic blocs" without the Cold War to unite them. The Chamber fears for increased bilateral tension if the EC pours subsidies into "national champions" and "sensitive sectors" like autos, electronics and steel, and "America First" attitudes give rise to restrictive US legislation.

Brazil's economy awaits 'flight to modernity'

By Christina Lamb in Rio de Janeiro

BRAZIL finished 1991 with an inflation rate of 460 per cent and an economy growing at only 0.5 per cent, with zero growth forecast for 1992, according to government figures.

The growth rate for Venezuela, Chile, Mexico and Argentina last year averaged 5 per cent.

Brazil is lagging behind the rest of the continent in many areas. Its privatisation programme started only in October; it has still to reach an accord with the International Monetary Fund and creditor banks; and its import tariffs continue to be the highest. The

country's minimum salary, at less than \$40 a month, is lower than that of Bolivia.

But this year is seen as a turning point in which the economic shock plans that characterised the last five years will be abandoned in favour of attacking the fiscal deficit, now accepted as the root cause of inflation.

Mr Marcilio Marques Moreira, the economy minister, told businessmen in Rio this week: "We are like passengers awaiting flight 2000 to modernity. This is our last call."

However, his team is still relying on tight monetary policy as its main anti-inflation

weapon. Since September this has plunged the country into deep recession. A Gallup poll published this week found that 1991 was seen as the worst year in the last 10 and that 1992 was expected to be even tougher. Forty-one per cent thought last year was bad or terrible while only 17 per cent had a good year. Seventy-one per cent expect unemployment to increase this year.

President Fernando Collor, whose popularity has shrunk to as little as 6 per cent according to some polls, but out at the news media for their pessimistic prognoses for 1992. He claimed the opinion polls

reflected the sacrifices of 1991: "The measures we have adopted are not exactly the kind which reap applause."

But it is not all bad news. In December, for the second consecutive month, inflation fell slightly to around 24 per cent a month. This month the IMF is expected to approve a \$2bn standby facility after an 11th-hour congressional approval of the tax reform, which is seen as the first step towards fiscal adjustment.

Yesterday import tariffs were reduced by an average of 6 per cent, with those for cars coming down from 80 to 50 per cent.



Cavaco Silva: determined

Portugal's premier turns his talents to the EC

Anibal Cavaco Silva talks to Patrick Blum as his country takes over the Community's presidency

MR Anibal Cavaco Silva, Portugal's professor-turned-prime minister, is undaunted by the tasks facing his country's presidency of the EC.

A technocrat and stickler for detail, he will be very much in charge of Portugal's efforts during the six-month rotating presidency - the country's first since it joined the Community in 1986.

His cabinet has been restructured with two working groups set up specifically to deal with the presidency. Another group, consisting of himself and a small team of key ministers, will handle political developments, while a special group will deal with technical matters.

"I will follow everything closely throughout the duration of the presidency," says Mr Cavaco Silva, who has a reputation among colleagues for briefing himself thoroughly on the issues.

Critics have accused him of being authoritarian and arrogant, but he brushes aside the suggestion that his plans for the presidency may involve an excessive concentration of responsibilities.

"I wasn't educated to be a politician, but to be a university professor. I had to learn a lot about the way to lead on political issues and among politicians. When I arrived here [in the prime minister's residence], my advisers said I wouldn't last six months."

After six years as prime minister - the first two in 1985-87 as head of a minority government - and four more to come following his victory in last October's general election, he is more relaxed than previously.

"I wasn't educated to be a politician, but to be a university professor. I had to learn a lot about the way to lead on political issues and among politicians. When I arrived here [in the prime minister's residence], my advisers said I wouldn't last six months."

He had to adapt and there were mistakes. He faced a general strike over reform of labour laws, and considerable resistance over fiscal reform, both of which have since died down as political issues.

"I underestimated the difficulties. Fiscal reform, for example, was promised to the Portuguese people in 1974 at the time of the revolution, and by all the subsequent 16 governments, but they never did it."

While at York University in Britain studying for a doctoral thesis in 1971-74, he was struck by the "endless labour conflicts" in the UK and the power cuts that eventually led to the fall of Edward Heath.

Naturally cautious, he is anxious to avoid the type of shock therapy that sent unemployment rocketing under Mrs Margaret Thatcher, though he admired her decisiveness.

He says redistributing wealth on its own will not achieve lasting prosperity. "I want to build a more just society. Poverty still exists in Portugal and it is shocking, but as an economist I know the solution isn't to distribute a social security cheque."

He says it is more important to encourage individual responsibilities and rewards, greater efficiency and social cohesion through dialogue.

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Naturally cautious, he is anxious to avoid the type of shock therapy that sent unemployment rocketing under Mrs Margaret Thatcher, though he admired her decisiveness.

The worst thing, he says, is not to be decisive through fear of making a mistake. "I received a country in a state of backwardness, of many speeches about all the things that needed to be done but were never done. I introduced a new style in Portuguese politics. I resolved to move to practical action, not just to make speeches but to act, to confront vested interests, to analyse problems and take the correct decision."

He liked President John Kennedy and admired General De Gaulle. But he says he has no model, and he remains suspicious of politicians.

"People used to say I was anti-politician because I didn't like verbalism [and] flowery speeches. I still don't like that. I don't see politics as a game. For me politics has only one meaning: practical action, the possibility of doing things which serve the country."

Plea to aid Haiti businesses

By Canute James in Miami

THE international trade embargo against Haiti has cost the Caribbean state about \$150m in lost earnings so far, according to representatives of US companies with investments in Haiti.

Factories which depend on export trade will have to close and thousands of jobs will be lost, the US companies, supported by Haitian business leaders, say.

The embargo was imposed on the French-speaking republic of 6m people after a military coup at the end of September. President Jean-Bertrand Aristide was sent into exile. The Organisation of American States, along with several European countries and Japan, imposed the embargo, saying he should be restored to the presidency. The US and other members of the OAS say the embargo will continue until the Haitian constitution is restored.

Over 6,000 Haitians have tried to flee for the US since the coup, amid reports of reprisals by the army against Mr Aristide's supporters. All but a few have been allowed into the US.

Haiti's economy depends mainly on the export of assembled garments, toys and handicrafts, mostly for the US market, and on coffee and fruit. "We employed 500 workers in our operations in Haiti, and they are now unemployed," said Mr Andrew Pechel, president of Judy Bond, a New York garment company. "We are closing our plants in the country."

Speaking at a conference in Miami on US trade with the Caribbean, Mr Jean Edouard Baker, president of the Haitian Business Association, said the work week in Port-au-Prince, the capital, had been reduced to three mornings, and electricity supplies were 15 per cent of demand. "The industrial sector in Haiti has been crippled," he said.

Mr Edouard Zermatt, who heads a family business which assembles women's undergarments in Haiti, said people there were starving and dying as politicians discussed their fate. "The US government has put Haiti back into the stone age and I am urging a reconsideration of policy."

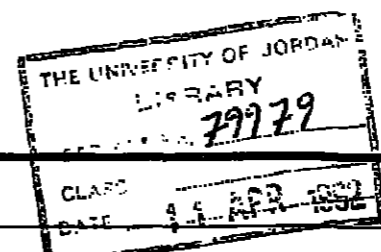
The US is unlikely to yield, according to officials at the conference. The administration was aware of the problems being created for Haiti by the trade embargo, but the embargo would stay until the political situation was resolved, said Ms Donna Brink of the State Department.

She said: "We know we are asking the Haitian people to do a lot, but how can a price can one ask for democracy?"

The Financial Times (Europe) Ltd. Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1. Telephone 46 69 15650; Fax 46 69 2944481; Telex 416193. Represented by E. Hupp, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hilversum, Niederlande, 3678 New-Lamberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd. 1992.

Registered office: Number One Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited, Publishing director: J. Roley, 158 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4297 0631; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Edair, 15/21 Rue de Calixte, 91010 Roubais Cedex 1, ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vismstakket 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.



Nigeria seeks debt relief to ease reforms

By Michael Holman, Africa Editor

PRESIDENT Ibrahim Babangida yesterday appealed for concessional treatment of Nigeria's \$28.5bn (£18.5bn) external debt, warning that heavy service payments were jeopardising the country's economic reform programme.

His request is likely to receive a rapid response from creditors until Nigeria meets performance targets set under an agreement with the International Monetary Fund, which was signed a year ago and runs out in April.

Although discussions are continuing, Nigeria's failed bid for a mid-term review of the \$28.5bn (£18.5bn) stand-by facility, a recent Fund report was highly critical of several aspects of government management, notably an over-expansionary fiscal policy and heavy reliance on domestic bank borrowing.

Without IMF endorsement, Nigeria will be unable to extend debt rescheduling deals reached with government and commercial bank creditors.

President Babangida, speaking in the new capital of Abuja, was outlining the country's 1992 budget in the course of a new year address calling for "financial discipline" and announcing plans to cut the number of ministries from 25 to 16.

The president, who said debt service payments due this year totalled \$5.5bn, forecast export earnings of \$9bn, of which \$7.5bn would come from oil exports averaging 1.35m barrels per day at \$21 per barrel.

Government expenditure this year was put at \$7.6bn, a 30 per cent cut on 1991 spending.

The president warned that Nigeria's structural adjustment programme, under way since 1986, could not succeed if the

country remained a net exporter of capital. "It is therefore obvious that Nigeria requires substantial debt relief through outright debt reduction."

Presuming what will be his last budget if the handover to civilian rule in October this year takes place as scheduled, the country's military leader called for "far more concessional debt relief, with the Toronto or the Trinidad terms as minimum."

Nigeria's external debt had grown from \$30.6bn in 1985 to \$28.5bn at the end of October 1991. The government would continue to peg debt service payments at 30 per cent of export earnings, although this level would be difficult to sustain, the president continued.

Mr John Major, the British prime minister, has indicated that he would support Nigeria's claim for debt relief under Trinidad terms, but the IMF hurdle will have to be cleared.

The terms apply to the world's poorest countries and provide for the write-off of two-thirds of export credit debt. Nigeria claims eligibility, pointing out that per capita income has fallen from about \$1,000 in 1980 to under \$300 in 1990, the result of substantial devaluations and falling oil exports.

But British officials stress that terms require an economic reform programme which has IMF endorsement.

The proposals were launched by Mr Major, then chancellor of the exchequer, in Trinidad in September 1990. At last October's Commonwealth conference in Harare, Mr Major announced that Britain was prepared to implement the terms unilaterally.

Anarchic bargaining distorts Israel's budget

Hugh Carnegie on the haggling, handouts and histrionics that go into fixing government spending

IF ANY of the international creditors from whom Israel is planning to borrow \$20bn (£10.5bn) took time off from the season's festivities to study the anarchic, 11th-hour bargaining over the government's 1992 budget, they are unlikely to have been encouraged to loosen their purse strings.

Government officials must be especially anxious about what the US embassy in Tel Aviv is reporting back to Washington on the unedifying spectacle of haggling, handouts and histrionics that increasingly characterises the process of fixing government spending in Israel.

The issue is pertinent because of the huge five-year borrowing programme the government has drawn up to help finance mass Jewish immigration from the former Soviet Union. A vital component of this is a request that the US government, which already gives Israel \$3bn in annual aid, guarantee credits worth \$10bn - half the total external requirement.

Aside from linking this assistance - which is due to come before Congress late this month - to the Middle East peace talks, the Bush administration has made it plain that a key

consideration will be evidence that the Israeli government is conducting a stable economic policy that will ensure it can honour its debt obligations.

International lenders, whose favour is now sought by so many other suitors, will undoubtedly take their lead from Washington.

So the failure of Mr Yitzhak Shamir, the prime minister, to get his 1992 budget enacted before the year began, and the frantic horse-trading with small coalition parties that held up the process, may have an impact far beyond the immediate domestic economic consequences.

The source of the problem, almost everyone agrees, is the highly factionalised political system which allows small parties to use their hold over the balance of power to make outrageous financial demands for their own vested interests. Mr Shamir, it appeared yesterday, preferred to give in rather than let his government fall on the budget issue. So it was this week that:

● A single member of Mr Shamir's Likud party was able to force through changes in the system of state-subsidised mortgages against the will of

Israel's 1992 budget, incorporating a large deficit to cope with mass Jewish immigration from the former Soviet Union, remained unrattled yesterday as Prime Minister Yitzhak Shamir struggled to resolve a row between religious parties in his coalition government over the allocation of funds to their rival institutions.

the treasury and Bank of Israel at a cost of Shk1.1bn (£258m) - more than 1 per cent of the original total budgeted spending.

● Extreme right-wing parties forced Mr Yitzhak Moda'i to commit to an extra Shk170m to Jewish settlements in the occupied territories - also in political defiance of the US - and some Shk300m in increased subsidies to new immigrants.

● Ultra-orthodox religious parties won commitments to spend tens of millions of shekels on educational and other institutions which they control.

Mr Jacob Frenkel, the governor of the Bank of Israel, repeatedly warned of the inflationary dangers of such deals, especially as the economy is showing signs of stalling. "During the

A final parliamentary vote was repeatedly postponed as Mr Shamir tried to find a way to avoid threats by some of the religious groups to vote against the budget, which could block its passage and possibly threaten the government itself. The bill should have been passed by midnight on December 31.

last few days," he said on Monday, "there have been all sorts of dramatic changes going on in the budget so that I can't even tell you, just one day before the budget is approved, how large the deficit will be."

Mr Moda'i himself expressed his exasperation: "Every year it is more and more wild. This year the Knesset will pencil in money that simply isn't there. The finance minister will then have to go door-to-door, to try to raise the money from the US and from diaspora Jewry. Then you will say, and rightly so, that the government is inconsistent in its economic policy."

Not that the original budget as formulated by the government itself was

a model of fiscal firmness. Mr Moda'i's proposal to limit the deficit this year to 6.5 per cent of GDP was thrown out by ministers, who boosted it to 8.3 per cent. And to make even that figure possible, they simply knocked 50,000 off the number of immigrants forecast to arrive, without altering any of the other related projections such as the rate of growth, or revenues.

By coincidence, an electoral reform bill was due to be voted on in the Knesset yesterday aimed at ending the influence of the small parties. The proposal to have direct elections for the prime minister, thus creating a virtual executive premier with greater authority, might well prove not to be a solution. But Mr Shamir's entrenched opposition to it means that even this attempt to shake up the system is likely to fail.

A recent decline in the rate of arrival of immigrants may mean that this year's last-minute round of budget handouts will not badly inflate the deficit. But the job Mr Moda'i faces in persuading the US and other lenders to invest in the Israeli economy will not have been made any easier by the events of the past few days.

Establishment takes fright at Algeria election results

Francis Ghilès looks at the fall-out from last week's first round wins for Islamic extremists

PRESSURE is mounting on President Chadli Bendjedid to cancel the second round of the country's first multi-party elections which last week confirmed the opposition Islamic Salvation Front (FIS) as the main political force in Algeria.

Some political leaders such as Dr Saïd Saadi, the secretary-general of the Rassemblement pour la Culture et la Démocratie, one of the lay opposition parties, are quite clear. A second round, he says, will "bury Algeria. It will condemn us to chaos."

He has called for a general strike. Such a strategy is backed by the Committee for the Safeguarding of Algeria, which includes leading trade unions and employers federations and appears to have the tacit support of senior figures in the establishment.

Earlier this week it issued a proclamation arguing that "it could not allow those who benefit from the rules of democracy to abrogate, tomorrow, the very same constitution which guarantees those rules". It pointed out that the FIS ruling council still meets in secret and that nobody knows the names nor the exact number of its members.

For his part, Mr Hocine Ait Ahmed, whose Front des Forces Socialistes (FFS) won 25 seats in Kabylia, the Berber stronghold in the north, and whose candidates are strong runners-up to the FIS in a number of constituencies in the heart of Algiers, refuses to the present to go that far, arguing such a move would make Algeria look like a "banana republic".

He has called for Algerians to march through the heart of the capital today in a show of strength against totalitarian forces. But as he pointed out in an interview yesterday he still cannot get the authorities to lay on special trains for those of his supporters who wish to come into the capital.

This much respected veteran of the war of liberation against

France and long-time political exile expresses serious misgivings about the fairness of the elections, saying that state-controlled television gave no time for his meetings, concentrating all its news and reporting on the Islamic fundamentalists and the ruling National Liberation Front.

He argues - and independent evidence increasingly supports him - that fraud was practised on a much wider scale than observers had thought until a few days ago.

They are in good company, however, as their optimism about the capacity of the FIS to resist the FIS onslaught appears to have been shared by Mr Sid Ahmed Ghozali, the prime minister, and his minister of the interior, General Larbi Belkheir.

Other senior members of the government fear the worst. They believe that if the FIS wins a majority, it will be forced into radical measures in order to keep their promises it has repeatedly made to its followers.

They are apprehensive that the FIS will turn first against the rich, then against the educated middle classes - it has already publicly promised to replace a certain number of technicians with "Islamic" technicians it will import from the Middle East.

Then will come the turn of the Berber heartland of Kabylia - with the added twist that many key FIS leaders such as Mr Mohammed Saïd and Mr Ahmed Merani are themselves Kabyle Berbers. The scene would then be set for what has historically often been feared - a fight to the finish among a group of Berbers.

The worst may yet not come to pass but Tuesday's New Year's eve celebrations in packed restaurants and hotels in Algiers had a slightly desperate touch.

They assert that 10 per cent of the ballot papers cast were not valid; 900,000 electoral cards never reached those they were destined for; and that a good half of the elections of successful candidates in the first round would be contested in the Constitutional Court.

The vast majority of town halls have been under FIS control since the party's victory in the municipal elections of June 1990 and the names of many people who then abstained appears to have been struck off the electoral register.

Since December 20, in the run-up to the polls, a string of violent incidents across the

GENERAL Omar Hassan al-Bashir, the Sudanese military leader said yesterday the authorities would appoint a transitional parliament in the next few days, Reuter reports from Khartoum.

The general, who dissolved Sudan's elected parliament when he seized power in July 1989, said the appointed assembly should set a good example for a proposed elected assembly.

The Sudanese military junta

has previously resisted calls for a return to government under a civilian constitution and Gen Bashir has said he will never allow political parties.

The military leaders were thought to favour a "popular congress" along the Libyan model, where local councils send delegates to a national congress similar to a conventional parliament.

Gen Bashir, in an Independence Day speech in the town



Hocine Ait Ahmed: call for a show of strength



Mr Javier Pérez de Cuellar takes his leave of the United Nations headquarters in New York early yesterday morning at the end of his 10-year tenure as UN secretary general. He is succeeded by Mr Boutros Boutros Ghali of Egypt.

NEWS IN BRIEF

North and South Korea in N-pact

South and North Korea have initiated a six-point pact aimed at making their heavily-armed peninsula free of nuclear weapons, officials said. AP reports from Seoul. The two sides also agreed to conduct inspections of suspected nuclear weapons sites.

A formal non-nuclear agreement will be signed by the two Koreas' prime ministers in February, they said.

The agreement binds Communist North Korea publicly to abandon what Seoul and foreign governments suspect is a programme that is within a few years of developing a crude atomic weapon.

Swiss may extradite Iranian

Switzerland said yesterday it was examining a French request to extradite an Iranian suspected of helping the killers of Shapur Bakhtiar, the former Iranian prime minister, in Paris last August. Reuter reports from Bern.

France formally asked Switzerland on Tuesday to hand over Zeyad Sarhadi, 25, who was arrested outside the Iranian embassy in Bern on December 23 for an Interpol warrant issued in Paris. Mr Sarhadi is suspected by a French investigating magistrate of helping Mr Bakhtiar's killers escape after they stabbed him and his secretary to death on August 6 at the Bakhtiar Paris home.

Aids threat to African workforce

At least 25 per cent of Africa's workforce is expected to be wiped out by Aids by the year 2010, according to the most conservative official estimates of the disease's infection rate. Reuter reports from Dakar.

Economists warn that the Aids pandemic threatens Africa with economic chaos beyond anything it has yet endured as it kills 5m or more adults in the next eight years. Aids officials say the entire world has a stake in helping their countries stem a disease that is already laying waste to some economic sectors of the continent. One in every 40 adults in Africa is already infected with the HIV virus that causes Aids.

Iraq call for public executions

President Saddam Hussein's eldest son called yesterday for a return to public executions to crush a wave of post-Gulf War crime, including car bombs. Reuter reports from Baghdad. Mr Uday Saddam Hussein's editorial in his semi-official newspaper Babil was the first Iraqi announcement that a car bomb caused an explosion in a Baghdad hotel parking lot on Monday, the first for years in the Iraqi capital.

In unprecedented praise for Saudi Arabia - springboard for the US-led allies who drove Iraqi forces from Kuwait last February after a six-month war - Mr Riyadh's Islamisation of traditional Islamic justice effectively prevented crime in the kingdom.

UN envoy heads for Somalia

A United Nations special emissary arrived in Nairobi yesterday en route to Somalia's capital Mogadishu, where he will try to persuade rival clan factions to end nearly seven weeks of clashes. Reuter reports from Nairobi.

Mr James Jonah was scheduled to meet rival warlords Mohammed Farah Aided and Ali Mahdi Mohammed to discuss ending the carnage, which has killed and wounded up to 20,000 people, and getting emergency relief operations restarted.

Rwanda protest call

Four Rwandan opposition parties have called on supporters to hold a protest march against the formation of a new coalition government which excludes them. Reuter reports from Kigali. Prime Minister Sylvestre Ndayishimiye on Monday announced a new cabinet in which all but one of the 17 posts are taken up by members of the ruling party.

Togo government named

Mr Joseph Koffi, Togo's prime minister, named a new interim government and gave two key portfolios to allies of Gen Gnassingbe Eyadema, the military ruler whom soldiers wanted reinstated to rule the West African nation. AP reports from Lomé. The civilian prime minister was kidnapped on December 3 in a battle for his palace. He was freed after he agreed to name a new government, saying he wanted to avoid a bloodbath.

Suez transit fees increased

The Suez Canal authority raised its transit fees by between 11 and 18 per cent from yesterday. Reuter reports from Ismailia. Mr Khaled Adas, the authority's chairman, said the move would raise 1992 revenue to a record \$1.85bn (£1.1bn) against \$1.77bn last year.

Japanese industry urged to ease trade tensions

Miyazawa in plea on US cars

THE Japanese car industry was yesterday urged by Prime Minister Kiichi Miyazawa to help Americans sell cars in Japan and to mend trade tensions during President George Bush's visit next week. AP reports from Tokyo.

Speaking in a televised new year's news conference, Mr Miyazawa said: "I am asking industry leaders to take more seriously and compassionately the US situation, symbolised by General Motors' shutdowns."

GM announced last month it would eliminate 74,000 jobs and close 21 plants in North America over the next four years. Mr Miyazawa, attempting to

emphasise to the Japanese the need to help the US auto industry, said: "GM is like the Stars and Stripes for the American people."

He said it came as a great psychological blow for many Americans to witness their car industry losing out to Japanese competition.

President Bush, accompanied by the chairman of the three leading US-owned car makers and 18 other business leaders, is due in Tokyo on January 7 to discuss ways of narrowing Japan's \$41bn (£22.5bn) trade surplus with the US. Vehicles and car parts account for three-quarters of that gap.

Senator Carl Levin, whose state, Michigan, is home to the big three car companies, said last week that the US Congress might enact legislation punishing Japan for its restrictions on importing US goods if the president's visit did not yield results.

Last month, big Japanese car makers said they planned nearly to double purchases of US car parts by 1994 as part of a government-inspired effort to reduce the trade surplus. made parts.

On another key issue between Tokyo and Washington, Mr Miyazawa hinted Japan eventually would ease its ban on rice imports.

Indian premier charges Pakistan with 'state terrorism'

By K.K. Sharma in New Delhi

MR P V Narasimha Rao, India's prime minister, has accused Pakistan of using "state terrorism" in the northern Indian states of Punjab and Kashmir.

Speaking at a meeting of the National Integration Council attended by all the main political parties, Mr Rao said "sponsored terrorism [was] being carried on from across the border". The "whole government, the whole state" was taking part in the terrorism, he said.

Officials have long blamed Pakistan for insurgencies in Kashmir and Punjab, but this is first time the prime minister has pointed a finger at India's neighbour, accusing it of "waging a proxy war" in the two states.

Relations between India and Pakistan, never good at the best of times, are bound to deteriorate following Mr Rao's charge but it is thought unlikely that military action will follow. Both countries are preoccupied

with economic problems and would not willingly bear the cost of another conflict.

The meeting of the National Integration Council was held at the demand of the Hindu revivalist Bharatiya Janata party (BJP). The president of the BJP is now on a nationwide "unity tour" whipping up

emotions on the Kashmir and Punjab issues. He plans to end it on January 26 - Republic Day - by unfurling the national flag in Srinagar, capital of Kashmir.

All parties, including the ruling Congress, have condemned the BJP tour on the ground that it would stir up communal tensions. Mr

He said the nuclear co-operation agreement would promote Pakistan's economic growth and benefit its people.

Beijing has come under fierce international criticism, especially from the US, for exporting nuclear weapons and nuclear weapons technology. The US has accused it of supplying Chinese M-9 and M-11 missiles to Pakistan and Syria, and helping Algeria develop a nuclear reactor which could be used for building nuclear weapons. China denies all these charges.

During Li's official visit to India last month the Indian government demanded that China cease exporting M-9 missiles to Pakistan. The missile has a range of 600km, twice that of the M-11.

China maintains its official line that it does not advocate, encourage or go in for nuclear proliferation, nor does it help other countries develop nuclear weapons.

The standing committee of China's parliament last week affirmed China's decision to sign the Nuclear Non-Proliferation Treaty.

M.M. Joshi, the BJP president, has drawn large crowds during his tour, which is expected to gain momentum when he reaches the northern states next week. The council welcomed the government's plans to hold general elections in Punjab next month but could not adopt a common resolution on Kashmir because of the BJP's

demand that the state should not be given preferential treatment under the Indian constitution.

● Pakistan said it had swapped lists of nuclear installations with India yesterday under an agreement aimed at easing suspicions about each other's nuclear capabilities. Reuter writes from Islamabad.

The Foreign Ministry said that the lists had been handed over by the two countries' missions in New Delhi and Islamabad under an accord ratified in January 1991 and aimed at banning attacks on each other's nuclear plants.

India and Pakistan, who have fought three wars since independence from Britain in 1947, both say their nuclear programmes are for peaceful purposes. But they accuse each other of having at least the potential to make nuclear arms. Neither has signed the Non-Proliferation Treaty, each citing the other's failure to do so.

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UK NEWS

EC rules on car tyres expected to boost sales

By John Griffiths

RECESSION-HIT tyre makers, distributors and retailers expect extra sales of at least 500,000 car tyres in 1992 as a direct result of the UK's adoption yesterday of tougher EC standards on minimum tread depths.

The British Rubber Manufacturers' Association expects sales generated by the stricter standards, enforced for up to two years in other EC states, to lift the stagnant market for replacement car tyres to 17.8m next year.

This will provide relief to an industry whose profit margins have been badly hit by the slump in new car sales and vicious price competition in the replacement market.

In recent months, beleaguered UK-based tyre makers, who early last year were almost without exception operating at a loss, have been able to convince car makers that price increases were needed on tyres supplied as original equipment. Without them, they have argued successfully, the tyre industry would have difficulty funding research and development and other investments.

It was an important victory for the tyre makers, who last year provided some 7.4m tyres for fitting to new UK-produced cars. Then, in November, for the first time since the recession began, leading companies such as Michelin and Pirelli imposed replacement tyre price increases which so far have not only failed to spark an escalation of the price war, but have led to a general upward shift in prices of between 10 and 12 per cent.

Mr Peter Tyson, marketing manager of Pirelli in the UK, said both moves meant that UK operations "are once again on a profitable trend".

The EC rules require a tread depth of at least 1.6mm "throughout a continuous band comprising the central three-quarters of the breadth of tread and round the entire outer circumference of the tyre".

In spite of such requirements, the new standards are to be applied only to cars and light commercial vehicles.

Aviation insurers under pressure following crashes

By Richard Lapper

LONDON aviation insurers are facing multi-million dollar claims following two air crashes over the Christmas period which have aggravated losses in the market and increased pressure for higher insurance rates.

Claims totalling at least \$65m "will increase the pressure for rate rises. A lot of cash will come out of the market," says Mr Jonathan Palmer-Brown of Nicholson Chamberlain Colls, the UK aviation insurance broker.

Premiums have been rising steadily over the past three months after reaching their lowest level since the early 1980s earlier this year.

The latest accidents, involving a China Airlines cargo aircraft at the weekend and a Scandinavian Airlines jet on December 27, could together push insurance claims for 1991 to almost \$900m. With premium income for the period amounting to about \$300m, insurers and their reinsurers are facing significant losses.

Already this has led insurers to increase rates sharply for airlines renewing their cover over the past three months -

70 per cent of the world's airlines renew their annual insurance policies during the final quarter of the year.

The insurers of the Chinese aircraft, which crashed into a mountain after taking off from the Taiwanese capital, Taipei, bound for Alaska are likely to face claims of at least \$60m for the aircraft's hull.

In a separate incident on Friday a McDonnell Douglas MD80 jet airliner, operated by Scandinavian Airlines Systems (SAS), broke into three parts after its pilot attempted a crash landing when both its engines failed after take off from Stockholm's Arlanda airport. The airliner was insured for \$35m.

All 129 passengers and crew survived. Although SAS is insured by the KSSAF consortium, which links it with several other airlines, the London market provides a significant slice of reinsurance cover.

Moreover underwriters have not been able to renew reinsurance policies on the same terms as last year and are therefore more exposed to any losses that may occur in the next 12 months.

De Gaulle stars in thirty-something series

Paul Abrahams and Emma Tucker find common ground in the cabinet papers of 1961

BRITISH troops were deployed in Kuwait and the cabinet was divided over the European Community. Sounds familiar? It should do. It's not 1991, but 1961, the year when the Berlin wall was built and John F. Kennedy took over at the White House.

Thirty years ago prime minister Harold Macmillan decided to end centuries of glorious British isolation by entering the European Economic Community.

Cabinet papers released yesterday under the 30-year rule, which delays publication of such documents, demonstrates the triumph of continuity over historical change.

Britain was attempting to find its world role. While the cabinet was agreed that Britain should join the EEC, it was concerned about the subsequent implications on its own agricultural industry, the remaining European Free Trade Association countries and the Commonwealth. During the year, there were further series of memos about six and seven - the six EEC members and the seven EFTA members.

The main obstacle to Macmillan's "Grand Design", as the prime minister called his plan to join the EEC, was France and its president, General de Gaulle who was demanding, according to Mac-



Looking for a role: newly published papers show Macmillan (above) wanted to join EEC

millan, "unconditional surrender" for entry. Mr Harold Watkinson, defence minister, thought the stakes were high: "If we succeed, I imagine we should lead Europe. But if this happens can de Gaulle still be Charlemagne?" Macmillan's attempts to win

over de Gaulle included schemes to supply France with nuclear weapons and send troops to Algeria after an army revolt in the French colony.

The newly installed President Kennedy was asked by Macmillan if the UK could supply the French, who had only

just conducted a fourth small nuclear test, with nuclear weapons or nuclear technology.

The British ambassador in Washington told Kennedy there was little chance of the UK entering the EEC "if there was no change over the ques-

tion of nuclear know-how". Nevertheless, Kennedy turned down the proposal. He argued it might weaken France's commitment to Nato, and Congress would never agree.

In the summer of 1961 prior to Britain's application to join the EEC, Macmillan dispatched a number of senior and reluctant ministers on a tour of former colonies to persuade them that Britain's enthusiasm for Europe did not mean they would be abandoned by their former coloniser.

Nearly all expressed "serious anxieties" over possible changes in trading relations and for some, the political implications.

Mr Jawaharlal Nehru, India's prime minister, was worried that Britain was joining forces with the other rich industrialised countries, leaving the developing countries to their fate.

For all their fears, the trading status of the former colonies was to remain "favoured" for at least a little longer.

Meanwhile, the cabinet was also concerned with obtaining payment from Kuwait for sending troops there to protect it from a possible Iraqi invasion. Macmillan wrote: "I know it is bad manners to talk money with sheiks, but at some point we must raise the question of a contribution by the Sheik for our very heavy expenses."

Economists predict further job losses and public borrowing

THE bad economic news for 1992 is that unemployment in Britain hits 2.7m, public borrowing stretches to £20bn, and consumer spending manages to rise only 1.5 per cent above last year's levels. The good news is that the majority of economists expect the recession to drag to a close this year and not to linger on into 1993.

These are some headline results of today's Financial Times survey of New Year forecasts of the UK economy, which compares 1992 not with 1993 but with 1991, to give a fuller anatomy of the recession.

The survey compares the forecasts of economists from 33 universities, intergovernmental institutions, independent think-tanks, and City investment houses. Last summer, their consensus view was that the recession would end in 1991.

But the latest survey of the forecasts shows optimism has vanished into fears of a double-dip recession

and the near-certainty that the general election would be fought against a battered economic backdrop.

It also suggests that the occasional monthly expansion of output and retail sales volumes over the summer, combined with rosy surveys of business and consumer confidence, were not the green shoots of economic spring which Mr Norman Lamont, chancellor of the exchequer, had hoped for.

The prospects for recovery this year remain hedged with the big uncertainties of unemployment growth, the depression in the housing market, and growth recessions in the US, Germany and Japan.

Economists have been slashing their growth forecasts for 1992 right up until the last moment. On New Year's Eve, for example, Prof Douglas McWilliams, the Confederation of British Industry's chief economic adviser, predicted GDP growth of just 1 per cent for this year com-

pared with 1.7 per cent in the CBI's forecast of a few weeks earlier. But Professor Wynne Godley, of Cambridge University, is the only economist who expects output to contract this year: by 0.8 per cent after a 2.4 per cent drop in 1991.

The average forecast for GDP growth by all forecasters is 1.7 per cent in 1992, much less than the Treasury's Autumn Statement 2.3 per cent growth forecast. They expect the contraction in 1991 to be 2.2 per cent, in excess of the Treasury's estimate of 2 per cent.

Consumer spending accounts for two-thirds of GDP, and forecasters are relying on income growth, lower interest rates and lower inflation to tempt people back into the shops. The forecasters expect the year-on-year rate of retail price inflation to be 3.7 per cent by the fourth quarter.

Underlying inflation should also show a decisive fall, as the recession further squeezes domestic prices and

a firm exchange rate keeps the price of tradable goods steady.

With average earnings growth due to outstrip price rises consumer spending is due for a slight rebound of 1.5 per cent this year after dropping almost 1 per cent in 1991. Spending will remain subdued as consumers adjust their debt-income ratios to more sustainable levels.

Unemployment will continue to mount to 2.7m (an average over the year) but at a slower rate than in 1991. This, combined with the squeeze on profits, and the constraint posed by UK membership of the European exchange rate mechanism makes for a slow and cautious recovery rather than export-led recovery.

"There are indications now that consumer confidence is improving, but rising unemployment is likely to discourage a sharp increase in borrowing," according to Mr Padraic Garvey of Cambridge Econometrics.

That sterling will not be devalued in the European exchange rate mechanism, in spite of recent talk of a realignment among Tory MPs, must be regarded as a certainty in the light of the chancellor's pledges. For this reason, forecasters expect interest rates to remain high, although the government should be able to afford a cut of one percentage point by the year-end.

Most forecasts, however, were made in December before the Bundesbank raised Germany's Lombard rate by 0.5 per cent to 9.75 per cent.

The view of economists that there was room for cutting interest rates was also formed before sterling slipped close to its permitted lower limit in the ERM, prompting fears that the next interest rate move would be up, not down. The government, it is thought, will do its best to take 0.5 per cent off the base rate before the election.

One lasting hangover from the

recession will be the sharp deterioration in the public sector finances. While the main thrust to demand will come from private sector consumption, public sector consumption will come a close second.

The public sector borrowing requirement (PSBR) is to bulge to £19.5bn in 1992-93, after around £11.2bn in 1991-92, largely reflecting cyclical factors but also the continual cost of mitigating poll tax bills and improving the public services.

Nor will the PSBR, apparently, preclude some "cheap and cheerful" giveaways in the budget. Most economists expect the budget stance to be neutral - not lowering or raising the tax burden. But given the likelihood of a weak economy in March, many feel there is some scope for an income tax cut, or even an pre-election handout of up to £2bn, perhaps for the housing market.

Rachel Johnson

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Air travel is more than just a convenient way of getting from A to B...or Z. Airlines compete with each other to provide passenger satisfaction. An airline's success, indeed its survival, depends on it. Over the past 26 years, an independent research company, the International Travel Research Institute (INTRAMAR), has developed techniques to measure this crucial factor. It has evaluated passenger satisfaction for a total of 95 airlines in 72 countries. Its latest survey, the recently published *Intramair World Airline Monitor 1990-91*, identifies the decisive influences:

Top factors in passenger choice of airline and satisfaction rating.

1.	Punctual flights	76%
2.	Excellent in-flight service	59%
3.	Superior aircraft	52%
4.	Comfortable seats	48%
5.	Efficient reservations	44%
6.	Discounts/money-saving deals	43%
6.	Good check-in service	43%
8.	Clean cabins, seats, washrooms	38%
9.	Good food and beverages	36%
10.	Attractive frequent flyer plans	28%
11.	Superior business class	26%
12.	Superior first class	17%

Who says so?

INTRAMAR interviewed 1,450 respondents in forty major cities, in 26 different countries in Europe, North America, Asia, and Australia. They are qualified to make a sound judgement by reason of two important sampling requirements. In the first place, they are all frequent travellers, who make an average of ten international flights per year. Secondly, they are experienced travel agents, with an average of ten years in the travel industry, who are professionally knowledgeable regarding airline service and performance. And they weren't just sent a questionnaire to fill out and return. They were interviewed in person.

How do they know?

From their own flight experience. Each of them had flown the airlines they reported on within the past three years – a total of 32,000 recent flights on 44 different airlines.

These seasoned travellers hold strong opinions. In most research studies, a high proportion of respondents will opt for an easy 'don't know' or 'no opinion' answer, usually between 10 and 20 per cent of any sample. In this survey of airline satisfaction ratings, more than 99 per cent of those questioned wanted to express an opinion.

How did they rate the airlines they fly?

In total, 44 airlines were graded in seven different categories (figures represent the number of airlines in each category):

Above average		Below average	
Super-Excellent	9	Fair	4
Excellent	12	Rather poor	6
Good	3	Very poor	6
		Extremely poor	4

Twenty airlines were rated below-average, in the categories 'Fair' to 'Extremely Poor'. The study does not disclose these by name, except to the airlines concerned. However, it does identify the 24 carriers which performed above-average:

The 24 top airlines.

Super-Excellent		Index
1	Swissair	180
2	Singapore Airlines	173
3	Lufthansa	165
4/5	Cathay Pacific	157
4/5	Thai International	157
6	KLM	154
7/8	British Airways	150
7/8	Japan Airlines	150
9	Finnair	149
Excellent		
10	Virgin Atlantic	148
11	Qantas	147
12	Air Canada	146
13/15	All Nippon Airways	144
13/15	South African Airways	144
13/15	SAS	144
16	Varig	137
17	Japan Air System	136
18	American Airlines	133
19	Air New Zealand	132
20/21	Canadian Airlines	124
20/21	Air France	124
Good		
22	Gulf Air	118
23	Malaysia Airlines	117
24	Delta Air Lines	108

The average Passenger Satisfaction Index for all 44 airlines surveyed is 106.

(It should not be assumed that an airline which does not appear on this list has a below-average passenger satisfaction index. The survey did not cover all of the world's airlines, just 44 of the better-known carriers.)

The competition to provide passenger satisfaction continues.

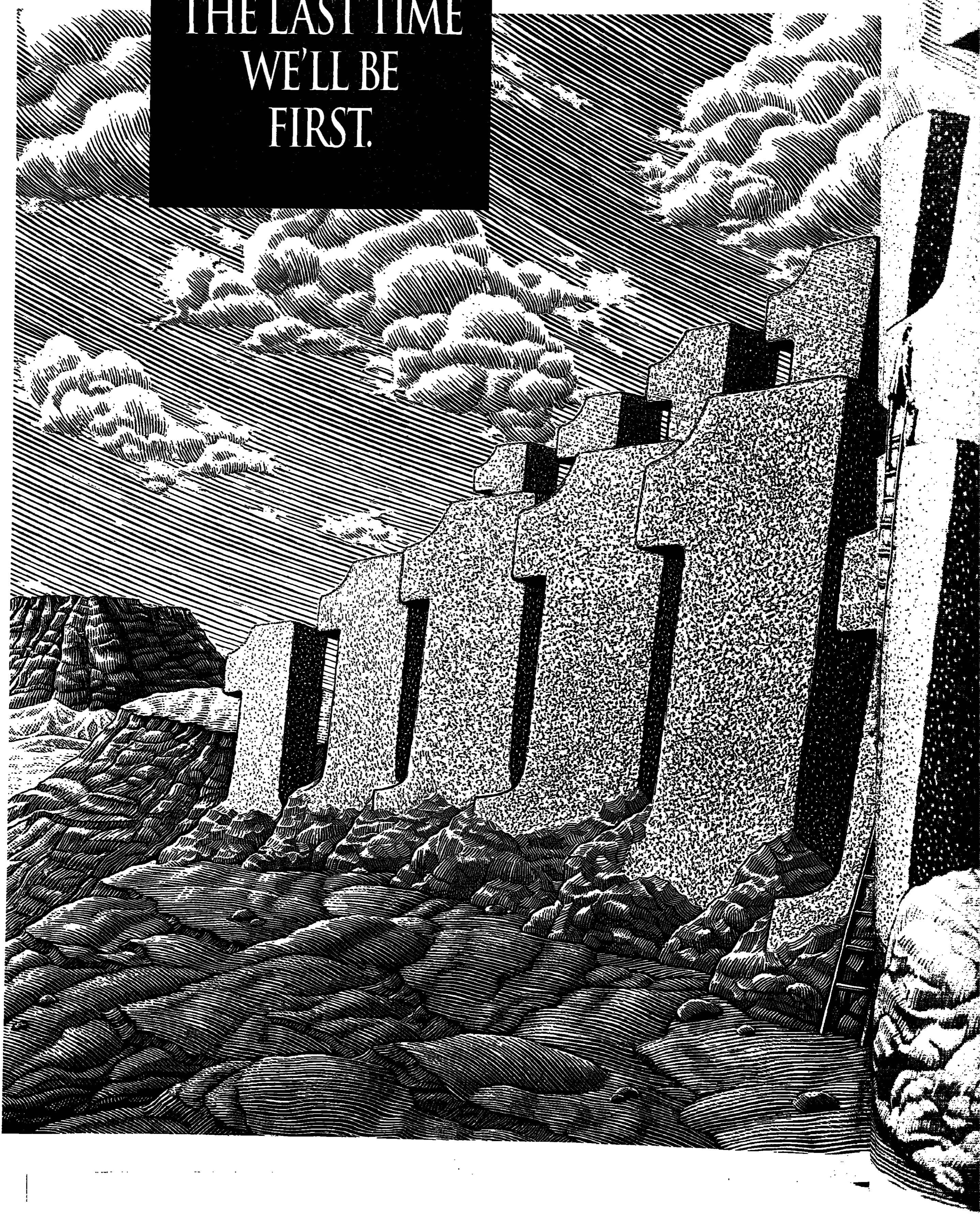
Swissair is proud to have been named as the first choice of the world's most knowledgeable and seasoned travellers. (At this level, the researchers say, the phrase should be 'passenger enthusiasm!') We extend our congratulations to our 23 competitors who also achieved above-average ratings. We know how dedicated you have to be in every area of airline operation to gain the confidence of the travelling public. It takes a long time to win, and it can be so easily lost.

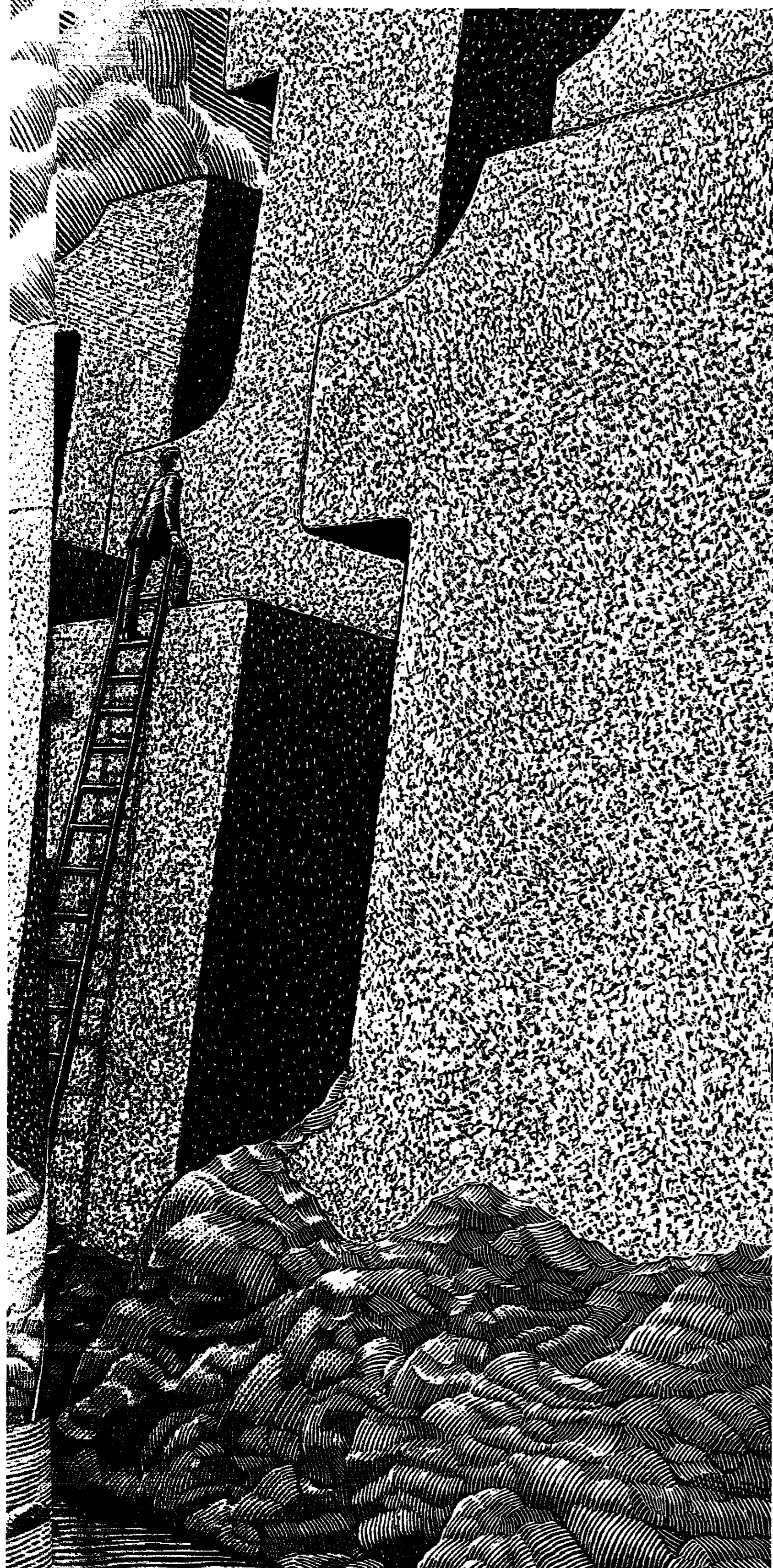
We also realise that these competitors will strive their utmost to dislodge us from first place in the years to come. So, for Swissair, the message of this survey is, 'If at first you succeed, try and try again'.

Swissair has obtained the permission to publish this information, which is extracted from an article written by Dr. George Hodel, director-general of the International Travel Research Institute (INTRAMAR), Hong Kong. It first appeared in the December issue of the magazine, 'Airline Business'.



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 **CHEMICAL**

MANAGEMENT: Marketing and Advertising

Fashion beers

Pulling ahead before the bubble bursts

Philip Rawstone looks at the popularity of imported brews

ALIGHT Mexican lager served with a slice of lime in the neck of the bottle has become the latest trend in British clubs, pubs and restaurants.

Sol, brewed at Veracruz on Mexico's Gulf coast, has become the fashionable drink to be seen with.

Introduced at a Mexican restaurant in London's Covent Garden in 1985, UK sales of Sol were 22,000 bottles by 1987.

This year they are expected to reach 45m bottles, worth a total of about £50m.

Now widely distributed through pubs, bar-restaurants and off-licences, Sol is positioned to turn its trendy image into a more established feature of the UK beer market.

But in spite of its current marketing success, the odds against it doing so are great.

Most so-called fashion beers turn out to be no more than froth on the market. They bubble briefly, then go flat.

Very few settle into a permanent market niche, even fewer expand into mainstream brands.

Imported premium lagers - as distinct from those brands such as Belgium's "reassuringly expensive" Stella Artois which are foreign-owned but brewed in the UK - amounted to about 1.1m barrels last year.

That is little more than Britain's beer drinkers consume in 10 days; but its retail value is about £350m.

Even so, more than 200 brands from 20 countries continue to strive hopelessly to capture a share of attention now being accorded to Sol.

There are a further three from Mexico - Corona, which enjoyed a short but spectacular boom in the US, Dos Equis, a dark lager, and Tecate, which is best sipped, some say, from a glass with a salt-encrusted rim.

Rolling Rock, which comes from Latrobe, Pennsylvania, in distinctive long-necked green bottles, is sponsoring jazz concerts to acquire the sort of trendiness in the UK that it enjoys in Manhattan.

From Canada comes Moosehead and Molson, which was launched in 1988 with a £2m advertising campaign by Jim Dunk, an overweight, balding actor who perversely advised beer-drinkers to avoid the brand.

Budweiser Budvar and Pilsner Urquell have come with exemplary quality credentials from Czechoslovakia.

There is San Miguel from Spain, Sapporo Dry from Japan, Steinlager from New Zealand and Furstenberg from Germany.

Fresh from his marketing triumph with Sol, Harry Drmec, chief executive of Watson Carretti, the independent UK drinks distributor, has launched Genuine Miller Draft, the sixth best-selling US beer, into the market.

Cold-filtered to preserve flavour, and free of additives, the beer will sell for £1.60 to £2.50 a bottle in pubs and clubs.

Prospects for imported lagers have never been better, according to Drmec.

OLD MILWAUKEE beer, made by the Stroh Brewery of Detroit, has been receiving an extra boost of brand recognition with a Playboy magazine cover feature of its "Swedish Bikini Team".

The "team," composed of five buxom American women in blond wigs, is an ad agency's invention for the beer maker's television commercials.

The Playboy spread might seem the target marketer's dream come true. But the problem is that Stroh's "Swedish Bikini Team" is at the centre of a novel controversy in the marketing world.

Stroh is being sued by five female workers at its brewery in St Paul, Minnesota, who allege that the commercials foster a climate tolerant of sexual harassment in the workplace.

They charge that they have been subjected to a pattern of physical and verbal sexual abuse, and link the commercials to it.

Lawyers for the women say the Bikini Team TV commercials are demeaning to women and other advertising posters of scantily clad women have been "directly used as tools of harassment".

The company describes the allegations as "preposterous" and says it has a policy against sexual harassment. It has not halted the "Swedish Bikini Team" marketing campaign, which began last spring and, if similar to others, will run for about a year.

George Kuehn, senior vice-president of Stroh and its general counsel, said that the company "had nothing to do with the appearance of the team in Playboy". But it did nothing to stop them.

The lawsuit, which seeks unspecified damages and an end to the marketing campaign, could pose an entirely new business risk to advertising. If successful, it could for the first time link adverts to sexual misconduct in the work place.

Barbara Durr



Barbara Durr

The UK's premium lager market is growing at 12 per cent a year.

Consumers are trading up, prepared to pay higher prices for what they perceive as better products; and drinks retailers, meanwhile, are com-

peting to offer a greater choice.

"It was the development of wine-bars in the late 1970s and early 1980s that first opened the market for imported bottled beers."

"That continued with the trend to bar-restaurants," said Drmec.

"Now that the major brewers have been forced by the Monopolies and Mergers Commission to separate their pub retailing operations from their breweries, pubs are moving in the

same direction. They are now being run by professional retailers, concerned more with catering for consumer choice than with pushing through volume sales of one or two beers."

The growing take-home beer market has also been encouraging supermarkets and off-licences to extend their range of brands.

But the 200 brands are competing for a narrow slice of a sector which is dominated by Holsten Pils and Beck's from Germany, and Grolsch from the Netherlands.

These three brands last year accounted for more than 80 per cent of imported lager.

Holsten - long advertised as the "odd lager" - is brewed in Hamburg to Germany's strict purity rules and is by far the largest brand in the sector with annual retail sales of £200m.

It was launched in the UK in the post-war gloom of 1949, long before the British pub-goer had acquired a taste for any lager.

Courage, which distributes the beer, keeps the brand trendily up-to-date with £5m-worth of advertising humorously focused on anagrams of the brand name, such as Stops in Hell.

Beck's was introduced into the UK at Joe Allen's restaurant in London in 1972.

Within a few years, its distribution was taken over by Scottish & Newcastle, the UK brewer which is strongly represented in the take-home trade.

Last year, Beck's sales totalled 170,000 barrels; this year they are expected to be about 30 per cent higher.

Grolsch entered the UK market in 1970, setting up its own marketing and sales organisation to develop the brand.

With the slogan "You can't top a Grolsch", its advertising first focused on the beer's swing-top bottle as a distinctive and stylish brand emblem, then gradually widened the message to convey the quality of the product.

The measured pace of its promotion over more than a decade lifted sales to 140,000 barrels last year. Growth of more than 20 per cent seems likely this year.

The development of Holsten, Beck's and Grolsch, suggests that success in the market depends on two factors - a fashionable or stylish image to distinguish a brand from its competitors; and a record of product quality that will sustain its appeal after the novelty has worn off.

"Both are essential," said Keith Lay, UK marketing manager for Grolsch.

Warsteiner and Haecker Pechort, two German brands with an impeccable heritage, have made little impact in the UK because of their lack of fashion appeal.

Sol, with a stylishness carefully nurtured in London's chic bars, has got ahead of the pack.

It has yet to prove it has the stamina to stay there.

Some food for second thoughts

By Nikki Tait

Fancy some "No salt added, thin ribbon candy", "Light and Lean" sausages, or perhaps a "33% per cent less sodium" shank of ham?

All were sitting on a Manhattan supermarket's shelves this week - but not, perhaps, for much longer. Given the voluminous regulations on food labelling which have gushed from America's Food and Drug Administration over the past few months, such winning descriptions may be soon be a thing of the past.

The impact of the new rules promises to be substantial. When fully implemented in mid-1993, for example, every packaged food item in the US must give full details of its nutritional and caloric content. The manufacturer must also list such information in terms of a standardised portion size, permitting comparison with rival lines.

Should it wish to make broader "health" claims - asserting, for instance, that a product is "low-fat" or "sodium-free" - the boast must meet strict definitions. Meanwhile, supermarkets will have to display nutritional background on the 30 most popular raw fruits, vegetables and types of fish.

The only products to be spared this labelling inquisition will be spices, restaurant food and small packages - no bigger than a packet of "Life Savers". Food produced by very small businesses, where food sales are under \$50,000 a year and total sales less than \$500,000, will also be exempt.

The driving force behind this radical overhaul is largely political. Years of lax regulatory supervision, a growing public obsession with health and healthcare costs, and the wave of exaggerated claims by manufacturers, have all combined to make food-labelling a hot topic.

The marketing upheaval has already begun. It is debatable whether the impact is more onerous for large companies, with sizeable product lines but ample corporate resources, or smaller manufacturers which lack in-house lawyers and the like. But it is indisputable that both are significantly affected.

Take Kraft General Foods, part of the giant Philip Morris group. Here, a bevy of lawyers are pouring through the new rules and trying to assess the implications for some 7,000 products. Essentially, Kraft says it expects to divide products into three categories - those which are basically unaffected, those which it will need to reformulate, and those where considerable relabelling needs to take place.

Once the "master-list" is drawn up, R&D staff will become involved in the reformulations - something which is difficult when proposals only exist in draft form and there is still scope for industry-wide bargaining over the FDA's definitions. Kraft says it is too early to quantify the cost of the exercise, but expects it will run to "millions of dollars".

At a different end of the spectrum, Ben & Jerry's, the much-loved Vermont-based ice cream maker, is publicly stalling. It was the late-1970s when the two hippie-style founders - Ben Cohen and Jerry Greenfield - started producing home-made ice-cream in a small New England town.

Today, the product sells across the US, although the company still wears its social concerns on its sleeve. No one would deny that the ice-cream is rich, sinful, and utterly delicious - but won't consumers think twice when they see the calories spelt out on the label?

"People who eat our ice-cream aren't doing it for dietary reasons," says Ben & Jerry's, hopefully. "Basically, it's a reward thing."

Nevertheless, it is worth noting that the Ben & Jerry's "Light" line is being phased out, to be replaced by a series of low-fat frozen yoghurt products. The manufacturer insisted that this would have happened anyway, but its rationale for the decision is telling. The light ice-cream, it says, was "just not low enough", providing upwards of 200 calories per 4fl oz portion.

In the FDA's brave new world, that is a matter which will be beyond dispute. "Light", says the FDA, must refer to a food that contains one-third fewer calories than a comparable product.

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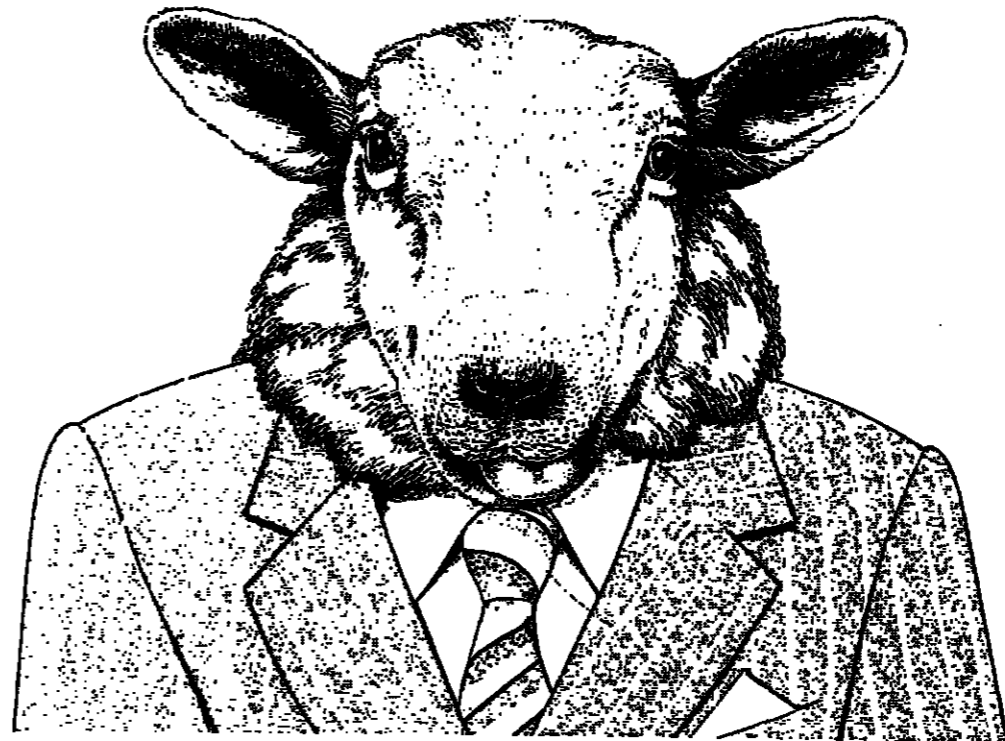


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ARTS

CINEMA IN 1991

Same old message, but Politically Correct

Time for the roundup of the year. This is the occasion on which a critic breaks open his memory bank only to discover that he has been robbed, probably sometime during the festive, low-security hours of Christmas Day. "What films really stood out during 1991?" someone asked me this Christmas over the damp, third Martinis. I was flummoxed. I scratched my coloured paper hat and caught a fleeting mental glimpse of all the movies I had seen during the year. Then it was gone. I had to return to my notes on sober Boxing Day to remember it all.

Now they leap forth. All those multiple murderer films like *The Silence of the Lambs* and *Henry, Portrait of a Serial Killer*. All those new black films like *Boyz n the Hood* and *Young Soul Rebels*. All those feminist-agent thrillers like *Thelma and Louise* and *Missy*, where women adopt the hunter-hunter roles usually played by men. But as one would expect from a yuletide year - 1991 reads the same backwards or forwards - a cinema trying to reverse itself ideologically kept finding that it was saying the same old things. *Dances With Wolves* essayed a reconstruction of the Western for the age of Indian Rights and ended by sending much the same sexist, racist messages as before under a "politically correct" banner. (The gone-native hero is allowed to fall in love, but only with the tribe's one adopted white woman). And *Thelma and Louise*, Ridley Scott's brilliant trans-American action thriller, put two females at the wheel of the plot and was then accused of making them do the same thick-headed, screechy things that men would have done.

That, of course, was part of Scott and writer Calli Khouri's point. Plus a change in the age of political correctness, plus a change in the age of a new dash of colour or cross-dressing.

If *Thelma and Louise* was saved by self-awareness, that commodity

was in short supply elsewhere. Nowhere did the radical resemble the dressed-up reactionary, with no irony in sight, than in the new black cinema. In *New Jack City* and *Boyz n the Hood* sexual and racial stereotyping stomped across our screens; and only Spike Lee's *Jungle Fever* wittily acknowledged the same bigotries that flourish in the white community are alive in America's black community.

Amid so much New Age tub-thumping accompanied by Old Age prejudices, many filmgoers warmed to the serial killers on view. Few of these even pretended to be "brothers" or "sisters" or paragons of political correctness. All they wanted to do was to kill you; or in the case of Anthony Hopkins's mesmerising Hannibal Lecter in *Silence of the Lambs*, to eat you.

How refreshing to have a group of characters who laid it on the line. So refreshing that Hollywood can-

nily attempted, on at least two occasions, to cross serial killing with political correctness. There was a box-office jackpot for *Robin Hood Prince of Thieves*, whose hero knocked off more Normans in his time than Hannibal Lecter had non-vegetarian dinners. And in *Terminator 2* Arnold Schwarzenegger walked about America serially clobbering every baddie in sight and earning \$200m at the US turnstiles.

But to these comic-strip hero-killers I preferred the higher complexities of the psychopath films: especially the terrifying human riddles posed by a movie like John McNaughton's *Henry, Portrait of a Serial Killer*. This is the story of a plain affectless chap who goes around murdering people for - well, for what? Hardly, to judge by his joyless expression, even for the hell of it.

If causeless actions are the modern world's greatest moral chal-

lenge, then the most bracing feature of the cinema in 1991 was the demolition work done on the very idea of cause-and-effect: not just in the moral presentation of character but in screen storytelling as a whole. Which of us is the same after *Twin Peaks*? Even if we never saw David Lynch's TV serial, we read about its cult status and cuckoo stylistics. And we see its influence, or that of the aesthetic climate that produced it, in American films like Todd Haynes's *Poison* (bizarre interweaving of three movie-pastiche thriller tales) and Hal Hartley's *Trust* (young love, family strife and non-stop non-sequiturs); and also in European films like Patrice Leconte's *The Hairdresser's Husband*, a tale of *l'amour fou* with the stress on *fou*, and Jaco Van Dormael's gleaming *Toto The Hero*, a sort of revenge opera done as a comic strip.

Today's audiences are learning how to meet multiple-choice aesthetic challenges that would have been unthinkable ten years ago. The success of a multi-style fantasy like *The Fisher King* - not so much a shaggy dog, more like several mongrels fighting in a sack - proves that. Meanwhile films of single-track moral momentum, even when done on an epic scale, begin to seem like yesterday's stuff engines. Huffing and puffing towards their climactic messages, movies like *The Bonfire of the Vanities* and *Havana* try to carry audiences to a destination they have been to a hundred times before and do not want to revisit, thank you, even in a luxury dining car with all-star passengers.

This suits Britain perfectly. We have no stars: they have all retired or gone into Labour politics. And we have no money with which to make British epics: it has gone into making other people's epics like *The Last Emperor* and *Dances With Wolves*. Instead we have a cottage industry that makes picturesque fixer-uppers: films like Anthony Minghella's *Truly Madly Deeply*, Derek Jarman's *Edward II*, Stephen



Role reversal: Susan Sarandon and Geena Davis in 'Thelma and Louise'

Pollakoff's *Close My Eyes*, Peter Greenaway's *Prospero's Books* and Ken Loach's European Film Award winner *Riff Raff*.

Much talent and variety. Should we mind that the results belong more on the small screen than the large? Or that the most beautiful and arresting film of the year, Derek Jarman's *The Garden*, was not even shot on conventional film: rather on a mish-mash of video and Super-8 and anything else Jarman could find in his odds-and-ends bin? The rules of film-making as we prepare to leave the second millennium A.D. are as follows: There are no rules. There are only brave artists trying, with any means at their disposal, to wean audiences from the old orthodoxies and the old expectations.

My Top Ten for 1991. *The Garden*, *Toto The Hero*, *Avolam*, *Riff Raff*, *The Fisher King*, *Thelma and Louise*, *Miller's Crossing*, *Jungle Fever*, *Mr And Mrs Bridge*, *Proof*.

The first film of the New Year, as so often, seems like a summation of

the previous year. *Delicatessen* (U.S. Metro, Gate, Screen on the Hill), a first feature by two French animators Jean-Pierre Jeunet and Marc Caro, boasts a serial killer, a pixilated plot and a blithe disregard for anyone who likes to deal with one genre at a time. Old-dark-house horror jostles with sight-gag slapstick and with a gentle love story involving the evil butcher's pining daughter (Marie-Laure Dougnac) and the new male tenant (Dominique Pinon) who might or might not end up feeling the sharp edge of Papa's cleaver.

Set in a fog-girt tenement house that could have been designed by Roland Emmett with help from Gustave Doré, the film's black humour has a manic charm. A virtuoso opening sequence - tracking shot through streets, close-up of cleaver being sharpened, tunnelling shot through house's intestines to face of a terrified man - renders us supple for the gymnastics of style and story that follow.

We meet an old coddler who lives in a waterlogged room teeming with snails and frogs. We see a boomer-

ang clasp-knife bring horrible justice to its user. We watch two underwater lovers kiss in a flooded bathroom. And we experience a cacophony that turns to filmic poetry as the house's percussive sounds - a metronome, a creaking bed, a carpet being beaten - are swept up into a musical montage.

If *Delicatessen* blueprints a new European surrealism, *Bill And Ted's Bogus Journey* (PG, Odeon West End) dusts off yesterday's American version. Last time around, our bubble-headed heroes (Keanu Reeves and Alex Winter) time-tripped through the universe meeting Socrates, Napoleon and Genghis Khan and wowing them with the wonders of Valleyspeak. This time they are just as appealing: visiting Heaven and Hell, defeating a cosmic conspiracy and meeting Death, who wields a Swedish accent and plays a mean game of Cluedo. As I was saying, simple down-the-line plots are beginning to look like yesterday's cinema...

Nigel Andrews



Multi-style fantasy: Robin Williams and Jeff Bridges in 'The Fisher King'

When marketing triumphed over musical endeavour

The recession bit harder into London's concert life in 1991 than anyone could have predicted. The closure of the Wigmore Hall in July for a year's refurbishment should have created extra dates to be slotted in elsewhere, yet promoters seemed only too eager to scale down their activities. Dark nights peppered the schedules of all the major halls, and though the major London orchestras dutifully offered their standard numbers of dates and roster of conductors, as often as not they were interspersed with concerts of hastily labelled "classics for pleasure", "classical pops", or "arias from the great operas".

It was as if the only reliable way to ensure decent-sized audiences lay in eliminating anything unfamiliar or demanding from the programmes, and giving the punters exactly what they knew they liked. Never had the denominator of the musical fare put before London's concert-goers sunk so low, or been so obviously driven by marketing rather than artistic forces.

To a musical culture ruled more and more by the banalities of the major record companies and their packaging ethic, the bicentenary of Mozart's death must truly have seemed like a divine gift: for one year at least concert promoters could be spared the chore of devising a new thematic slant or concocting enterprising single programmes. When in doubt play Mozart: anything would do, and did. After 1991 no one will be able to leg-

through the pages of Köchel's catalogue and wonder whether pieces such as *Il sogno di Scipione* K.128 or *La Betulia liberata* K.116 were worth reviving; there were more chances to hear such works this year than in all of the previous half-century.

The South Bank's own Mozart celebration during August was an honourable exception to the indiscriminate chronologies of so many of its counterparts. By concentrating on period-instrument performances, and inviting the world's best specialists to give them, it offered a serious chance to assess the state of authenticity, and to measure the distance travelled in what is certainly the most important shift in our perceptions of Mozart and how his work should be interpreted, since the bicentenary of his birth 35 years ago.

Apart from the Mozart binge, the South Bank scaled down its thematic planning in 1991 for reasons one suspects were as much financial as artistic: small-scale celebrations devoted to Elliott Carter early in the year and to post-war Italian music during the autumn were the most significant offerings. The Barbican celebrated Prokofiev's centenary with a festival presided over by Rostropovich, and used the capacious umbrella of the Japan Festival (generally more worthwhile for dance and the theatre, one feels, than for its music) to provide a weekend of Takemitsu. The BBC turned its annual week at the Barbican into a showcase of Henze in

the year of his 65th birthday; for 1992, though, the corporation will forsake living composers for a three-day festival of the 56-years-dead Alban Berg.

In what has been few reservations the duller year in two decades for music in London, there were times when it was all too tempting to switch attention to Birmingham, where Simon Rattle and the CBSO had already won the trust and respect of their audience in a way that the London

Andrew Clements
bewails the state of
London concerts
during 1991

orchestras could only dimly imagine, and which for several seasons now has enabled them consistently to offer imaginative, varied and wonderfully realised programmes.

This year too, Rattle and his orchestra at last got their new concert hall, leaving the treacherous acoustics of the Town Hall for Symphony Hall's wonderfully rounded ambience; within the first few concerts it was clear that this was by a long way the finest auditorium in the British Isles. Return visits have failed to reveal any blemishes and suggest that the hall measures up to the best in Europe, evoking comparisons with the Concertgebouw in Amsterdam, the Musikverein in Vienna, and also that the CBSO itself is rap-

idly moving into the class of the orchestras that are based in those venues.

Birmingham also has its own new-music ensemble, the Birmingham Contemporary Music Group, which continues to make modest yet steady progress. In general, though, it was not a good year to be selling new music. The falling-away of audiences could not have come at a worse time for the London Sinfonietta, still trying to rediscover its direction and identity after the death in 1989 of its artistic director Michael Vyner; there were occasions during the year when it seemed only a shadow of its former self, though the three concerts with which it celebrated Henze's birthday in December gradually brought a return to something like its old ebullience.

The greatest loss to London's new music, though, was the demise of the Almeida Festival, allowed to wither away without any great attempts to resuscitate it from by the artistic management of the Almeida Theatre itself or the arts-funding bodies that had previously supported it. Nothing really could fill the gap, and the range of living composers heard in the capital was correspondingly narrowed. The Huddersfield Festival, though, offered its usual varied menu and the Royal Opera brought forth the year's most significant new work with the premiere at Covent Garden of Britten's *Death in Venice*. Most pieces would pale beside that, and with the exception of John Casken's rhapsodically lyrical

Cello Concerto, unveiled at the Lichfield Festival, and Tippett's *Byzantium*, given its British premiere at the Proms, it's hard to settle upon anything of enduring worth introduced by a British composer during 1991. Certainly none of the Proms commissions passed muster in a season at the Albert Hall of generally high performing standards and decent audiences, as impervious as ever to the chill financial winds biting elsewhere.

Perhaps it is appropriate that at the end of 1991 one should be left with two utterly contrasted memories of concert life in London during the year, each in its own way deeply disquieting. The first is of a BBCSO concert at the Festival Hall early in the autumn, for which the audience gathered together would have been hard pressed to fill the front stalls; the programme of Haydn, Xenakis and de Falla was neither good nor bad, just average, but certainly not, in marketing terms, sexy.

The second image is one of the Barbican foyer on the eve of Mozart's death day. The concert was to be a sold-out performance of the Mozart Requiem. It was one of several in London that night, and decently rather than spectacularly cast. Yet the queue for returns stretched across the foyer and into the road outside. It was as if everyone wanted to be in on the act, to join in some sacramental rite. The graven image just happened to be Mozart: the real idol was hype and the triumph of marketing over artistic endeavour.

The Nutcracker

COVENT GARDEN

For the second year running, a pair of principal dancers from the Dance Theatre of Harlem are appearing in the Royal Ballet's *Nutcracker*. The Royal Ballet has no black dancers, though it has a few Oriental ones, and few people in its Covent Garden audience are black. This gesture is welcome inasmuch as it lifts a colour bar that other British ballet companies have already been removing.

This has just been a beginning. In January the Harlem prima ballerina, Virginia Johnson, dances Giselle with the Royal at Covent Garden. More important yet, the Royal and Harlem companies are working offstage in teaching ballet to London's black children.

A black star is one thing - but one day we may see a black girl amid the corps de ballet of Swan Lake. I hope so, though I hope that when blacks dance in the Royal ranks they are chosen not for tokenism but for excellence.

Judy Tyrus and Donald Williams, the current Sugar Plum couple, are very welcome. Both handsome, they have unusual glamour in Julia Trevelyan Oman's fussy-pretty costumes (the Prince's costume made even Anthony Dowell look like a Christmas cracker).

Their dance style is not brilliant but is beautifully pure. I love their basic carriage, relaxed and radiant. Their waists glow, whereas this central area today is usually dead or strained with most Royal (and most European) ballet

dancers. A few tiny smudges were surely attributable to nerves and did nothing to spoil their success. Their line is clear, their phrasing sure.

I saw two Covent Garden *Nutcrackers* in a day. Mark Ermler conducted both performances. His account was more theatrical and conventional than his 1989 recording and less sonically artificial. But he is not a great dance accompanist, and he does not relish the score's warmth and lavish detail. The matinee Sugar Plum was Viviana Durante. The whole of her dancing is less the sum of its parts, but I certainly marvel at its many exquisite features.

I hail, however, Bruce Sansom's performance as her cavalier. This dancer, returning to his native Royal amid a year with the San Francisco Ballet, has always shown more niceties of style than most men at the Royal, but it is only of late that he has begun to show the kind of firm purposefulness that makes real sense of ballet's princely roles.

On this occasion he danced with a new calm and authority, and his partnering was glorious. San Francisco, where the great dancer Helgi Tomasson directs, is probably a good place for Sansom to grow further. Still, I hope he rejoins the Royal soon.

The Sugar Plum pas de deux is the great event of Act Two, but in this staging the overwhelming moments are the scene-changes in Act One. The growth of the Christmas tree

and toys to giant proportions - just what Tchaikovsky wanted here - is one of the marvels of Covent Garden, and a high point of Julia Trevelyan Oman's art. Almost as thrilling is the moment when a silk dropcurtain suddenly falls into the floor.

I can't bear, however, the extent to which that Peter Wright (the producer) makes Drosselmayer the manipulator of the whole show from first to last. Little of this is in the music and, in the obsessive way Stephen Wicks plays the role, it is creepy. Jonathan Burrows, mercifully, gives the role more tenderness and fantasy. Among the many supporting dances, I single out Stuart Cassidy (always outstanding) and Fiona Brockway (reaching a new brightness as a soloist).

The party includes some nicely Dickensian vignettes of character playing, and Anthony Bourne is especially fine in the title role - touching, droll, mini-heroic.

But the freshest dancing and the most adorable performing are given by the children (Royal Ballet School). I am a sucker for good child performances, and little Hayley Discol, as Clara, went straight to my heart. Her sincerity, vulnerability and joy are the best rebuke to everything this production gets wrong, the best sign of all its gets right, and the true heart of what *The Nutcracker* is all about.

Alastair Macanlay

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Thursday January 2 1992

Next steps for the EC

TWO VISIONS vie for supremacy in the "construction" of the new Europe. One vision is of a new superpower, its economy sharply defined by its frontiers and its policies a mixture of wily liberalism and aggressively interventionist. This Europe views outsiders as adversaries and power as its proper pursuit. The contrasting vision is of a Europe open to the world. This Europe sees its economy enriched and its welfare enhanced by a combination of economic competition and policy co-operation with outsiders.

Both internally and externally, the European Community should choose the second vision. This is of particular importance in executing the programme that is now, after the Maastricht summit, again the centre-piece of internal development: that to complete the internal market. This has far to go if such important barriers to an open and competitive market as nationalistic public procurement, public monopolies and unduly restrictive regulation of financial services are to disappear.

Equally important is whether the internal market is to be fiercely competitive or whether centralisation, encouragement to mergers and joint ventures, and generous state aids are to repeat the failures of policies pursued by individual member states. Only a competitive European market will create companies that can compete, without protection, on the global stage. If European companies are unable to compete, because they have been too long protected from the need to do so, then the EC itself will turn protectionist. From electronics to cars, European business must realise that it can only hold its markets by supplying goods to customers, not pleas to politicians.

Stagnating economy

Completion of a competitive internal market is made vastly more difficult by the stagnation now befalling the European economy. That stagnation is equally threatening to the EC's other main economic goal: monetary union. For the European economy is being strangled by interest rates suitable to the unique circumstances of Germany.

The question of realignment arises. As Bundesbank vice-president Hans Tietmeyer has rightly said, a decision to upvalue or devalue a currency in the ERM has to be made by the national government in question. But he also stressed that "we do not live in a fixed exchange rate system yet".

Realignments are virtually ruled out within the current ERM, for three reasons.

● Only if there is a chance that the Mark might be subsequently devalued, could interest rates in other currencies fall much below those in Germany. This would amount to the Bundesbank's abandoning the position that the Mark should always be the safest currency in the system.

● Only large devaluations would make much of a difference either to competitiveness or to relative interest rates (by making subsequent revaluations more likely).

● But the possibility of large realignments in an ERM without exchange controls would make it highly unstable. Counter-inflationary credibility would be impaired as well.

General policy
A few countries may decide that they are so far from equilibrium that they might as well start again at different exchange rates, provided only that they give some hope of growth. But, as a general policy, the EC realignment would be a disaster.

For the most part, countries should soldier on with their policies in the knowledge that German rates will turn down again, perhaps in the not too distant future. In the meantime, those countries that hope to stay the course should move swiftly to greater independence for their central banks and, at the same time, push for more influence over the management of the ERM.

Completion of the internal market, and maintenance of monetary stability are the twin challenges of 1992 in the EC's internal development. Neither is as important as what awaits the EC externally. But they are the condition for all the rest. The EC matters to the world, because of the success of its economy. That success remains the foundation of its future.

Europe's role in the world

THE TIME of adolescent introspection is past. Free of the benevolent tutelage of the US, the EC must now make its own destiny as an adult. It must do so as mindful of the ruin that succeeded Europe's last period of autonomy, as of the opportunities and dangers that confront it today.

Though Europe's child, the US has played a parental role towards it over the past 50 years. Success has crowned that effort, but the US is now weary and disillusioned. Europe must share the burden of leadership, but should beware substituting a destructive rivalry for the co-operation that is in its highest interest.

Co-operation between Europe, the US, and Japan is the *sine qua non* of global stability and progress. Little of global significance can be done if they fail to co-operate; should they do so, little is beyond them.

At the top of the agenda in the post-cold war era is economic co-operation, the first item of all being the Uruguay Round of multilateral trade negotiations. Nothing could justify the damage to international trade that would follow failure of these negotiations. Still less could the Gatt's collapse be justified by defence of a policy as wasteful and corrupting as the common agricultural policy. The EC will argue that it should not yield to US bullying. But it should remember what it owes the US, and repay a part of that debt.

In the world, Europe must be an equal partner, *vis-à-vis* its neighbours it should be the leading one. The imposition of the old adversary has created a unique opportunity and a mortal danger. Stable market-oriented democracies need to be established in some 30 embled and fractious states, polluted remnants of the last European empire.

Russia's case

The Russian colossus must be the starting point. Once again, there could be but a brief interlude of democracy between tyrannies. The Russian government, under Boris Yeltsin, is determined on economic reform in conditions that are high on hopes. The west cannot afford to let him fail and, given the scale of the

resources that had to be invested in defence against the Soviet Union, can afford what he needs to succeed. A huge effort of moral and financial assistance is needed, not next year, but now.

Stability cannot be achieved in Eurasia if Russia remains in chaos. But other countries of the former Soviet Union and eastern Europe should not be forgotten. Europe must try to do for them what the US once did for it. The first thing to give to all, to Europe's own great benefit, is free access to its markets. Also important, however, will be technical and financial support.

Economically hopeful

Inevitably the focus will be on the larger countries, such as Ukraine, and the more economically hopeful, such as the Czech and Slovak Federal Republic, Hungary and Poland. The smaller countries can then be lifted by the buoyancy of their larger neighbours and those in the rear by the success of those in the van.

Finally, there is the challenge of enlargement. But this should come after the Gatt and after the problems of eastern Europe and the former Soviet Union. None of these countries is ready for membership in the next few years, but their problems are far more urgent than those of such prosperous democracies as Austria or Sweden. However desirable early expansion of the EC may be, it must not divert attention from the threats and opportunities on the EC's eastern borders.

Among those threats is that to security. The EC's failure to halt Yugoslavia's agonies offers a warning of what could follow in the erstwhile Soviet Union. The European Union has neither the military means, nor the will, to deal with such threats on its own. All the more important, therefore, that it develop the means and show the will to deal with the economic challenge before it boils over in civil war.

Co-operation with its partners, generosity towards its erstwhile foes. These must be the guiding lights of a European Union, which was not born great, is yet to achieve greatness, but has had the opportunity for greatness thrust upon it.

To many people, this new year seems among the bleakest and most uncertain in recent memory. Worries about the political and economic outlook abound. Here, FT specialists weigh up their answers to 12 questions of pressing concern around the world this year

Nineteen ninety-two sees elections in the UK and US. Will there be a Labour government in Britain?

Joe Rogaly writes: Possibly. The answer would be "probably" if Labour had not done so badly in 1987. If Mr Neil Kinnock is to become prime minister, an overall majority at his command Labour needs to capture close to 100 parliamentary seats from the Tories, many of them in the south-east. This would require a huge swing from the government to the opposition, the likes of which has not previously been achieved.

Against that, the Tories will be bereft of their present overall majority if they lose just 50 seats. Most would go to Labour, but some would go to the Liberal Democrats. No single party would have a majority in the Commons. The consequences of that are unpredictable. If the Conservatives remained the largest party they might try to win the support of the Ulster unionists, but not all of them could be counted on. To do a deal with the Liberal Democrats on a promise of proportional representation would require an historic U-turn by Mr John Major. His party might not accept it.

Thus the Tories might try to hang on to No 10 Downing Street by their fingertips. They could easily fail. Labour would then have to be given a chance to cobble together a coalition. If Labour were the largest party it would form a government and try to win popularity in time for an early second election.

All of this presupposes that the economy will not show perceptible signs of recovery. If there are signs of recovery, the Conservatives' winter of discontent might be forgotten. Mr Major would win his mandate. All bets for Labour would be off.

And in the US, will George Bush be beaten?

Isabel Barber writes: No, but he will have a run for his money. President Bush won the 1988 election because he buried a weak liberal candidate with the slogan: "Experienced leadership for America's future". Mr Bush will repeat the message in 1992, but he will find it a much tougher sell. Americans are in a sullen mood, disillusioned with their political leaders and worried about the future.

The recent slump in Mr Bush's approval rating stems directly from the sharp drop in public confidence in an early recovery. Mr Bush, who promised to create 30m jobs as president, has seen total civilian employment actually fall during his first three years in office. Unless he can point to tangible signs of an upturn by late summer, Mr Bush remains vulnerable.

Whether he is beatable depends, to some extent, on which Democratic candidate emerges from the six-strong field. The absence of Governor Mario Cuomo of New York means that the Democrats do not have a national figure to field against Mr Bush: Governor Bill Clinton of Arkansas, the early Democratic front-runner, has never run in a presidential campaign; Senator Tom Harkin of Iowa is all grating teeth and clenched fists; Senator Bob Kerrey of Nebraska, the telegenic Vietnam war hero, sounds a lot like Mr Gary Hart in 1984 and may fizzle in similar fashion.

The poor performance of the US economy offers Democrats their first chance in 20 years to recapture the ethnic blue-collar vote. This will help the party in the north, but not necessarily in the south which remains solidly Republican. Other factors helping the Democrats are Mr Bush's restive conservative wing and the fact that the communists' threat will no longer dominate debate.

But Mr Bush's patrician tendencies obscure his skills as a political street-fighter. It may be a close election, but at this stage a Democrat win still looks less than likely.

What about the economy? Are we in a great depression like that of the early 1930s?

Samuel Brittan writes: I am often asked this question by broadcasters. When I answer with a resounding "No", I am usually asked if I know of any other commentator willing to answer "Yes". The macro-pessimistic view is of course contradicted by the most cursory examination of the facts. Between the Wall Street crash of 1929 and the bottom of the depression in 1933, US output fell by 30 per cent, and money incomes fell by 50 per cent. The fall was nearly as large in Germany. In Britain there was no Great Depression as such but a 6 per cent fall in output after an incomplete recovery in the 1920s - the incompleteness is conventionally ascribed to Winston Churchill's return to gold at the wrong parity, a diagnosis which some economic historians are beginning to question.

This constant harping on the Great Depression is an enemy of serious thinking. So is the obsession with prediction at the expense of understanding and policy analysis. Hardly anyone has responded to my invitation to discuss whether a temporary setback to economic activity to allow consumers and businesses to repay what they feel to be excessive debt is healthy or dangerous; or at what point it changes from one to the other.

Both Keynes and Milton Friedman have a great deal to answer for in their preoccupation with aggregate levels of output and prices and with unattainable stabilisation goals. We are unlikely to learn more about business cycles without returning to the study of the relative behaviour of different sectors, industries, and even companies - a study which will have to be taken up from where it was abandoned in the early 1930s.

As for policy: the New Year is a time for restating one obvious truth. This is that governments and central banks would be in a much better position to use monetary policy, public works programmes, and the like, to combat recession if they were starting out from a record of reasonable price stability and budgets which were not too far from balance. Our present predicament springs in large part from the needless overthrow in non-emergency contexts of the "old-time religion" of sound money by a coalition of right-wing Reaganites and left-of-centre growth merchants.

Will the value of shares rise?

Barry Riley writes: Sentiment in the stock market was so bad for most of December that it was scarcely surprising that Christmas week brought something of a bounce back. This might continue for a while in January, usually a good month for share prices.

However, there are a lot of hazards ahead. Wall Street is vulnerable to shocks if the US economy continues to lag, and in Europe the Bundesbank is determined to beat German inflation, if necessary at the expense of reducing economic growth across Europe as a whole to a crawl.

In the UK the election is likely to generate a lot of volatility. The prospect of a Labour government would scare investors, although they would probably recover their nerve to a large extent after the event.

In general share prices are well-supported by dividend yields averaging over 5 per cent, but a lot of dividends are going to be cut in 1992 so individual share prices could go in all sorts of directions. Meanwhile profits are generally weak, and recent hopes of a recovery in company earnings have turned out to be premature.

All in all, you are likely to make some money on shares over 1992 taken as a whole, but you will need to pick stocks with care, because there are going to be further individual company shocks, and you may also need strong nerves at times. The ride might be a little safer and less volatile in government securities.

Will the exchange rate mechanism of the European Monetary System be realigned?

Martin Wolf writes: Yes. 1992 will see the European Monetary Union take shape. The ratification of the Maastricht Treaty will provoke debates in countries as far removed in their attitudes to the EC as Germany and the UK.

● Completion of the 1992 programme will be painfully difficult; its economic effects will be disappointing.

● The debate between the economically liberal and the protectionist nationalist south will reach new peaks of intensity.

● The attempt to construct a common foreign policy will founder on irreconcilable differences of interest among the EC's major countries.

● And the ERM will be realigned.

Realignment will be triggered by Italy and the UK acting, as over the Western European Union, in concert. The Bundesbank will lower interest rates, but too little, too late, to avoid another year of slow European growth, this time including Germany. The communists' threat will no longer dominate debate, and monetary policies will become ever more outspoken, but they will have no influence upon the German reality. The desperate plight of, first and foremost, eastern Germany and then eastern Europe and the new Commonwealth of Independent States, will continue to exclude everything else from German politics.

For Germany's partners the decision by the Bank of Japan that it will have to lower rates of interest aggressively will be the final straw. Thereupon, Italy will realise that being chained to the Bundesbank's cross makes no sense for a country that will not be allowed into economic and monetary union anyway; and the UK will realise that the only escape from debt deflation will be a dose of inflation. By the end of the year the path to ERM will look even more difficult and the destination even more doubtful than it does today.

Will there be civil war in what used to be the Soviet Union?

John Lloyd writes: The best answer is: no, but there are already. This Russian answer means that there will be no civil war, but there are civil wars, there will probably be more and there will probably be civil disorders. The relative confidence with which civil war - usually thought of in a grand sense of ignorant armies clashing by night across vast territories - is dismissed is because the dispossessed lack the stomach for such a full-scale fight.

The dispossessed are of course the communists, and history has far too comprehensively passed them by to allow them to revive and to lead a



revolution, or rather a reaction, in its name. Most of the active ones are making co-operatives, commodity exchanges and joint ventures as fast as their address books can carry them. The only flag they will now follow is green, and has Washington's head on it.

In the Caucasus, struggles over the control of territory are intensifying so far, these have not been reproduced (except in Moldova), but 1992 will be a lucky year if they are not. There are border issues everywhere, around and within Russia, waiting for a stupid demagogue to make it a dispute. More worryingly, there are minorities everywhere, which have been used to moving about freely in a Soviet state, who now or will soon find themselves faced with citizenship laws, visa restrictions and rising nationalism, and are frightened and defensive.

There have been few food riots (reported) yet; but if they start happening in a large way then they will spread quickly. In the fragilely governed countries of the Commonwealth of Independent States, the political choice will often be seen to be between a promise-everything populism and a stop-everything crackpot. Neither can be more than palliative.

But the war of one side against the other - whites against reds, or blacks against whites - is unlikely this coming year. No one has the time, or can afford to lose that place in the queue.

And in Yugoslavia, will the Serbs and Croats shake hands and make up?

Judy Dempsey writes: No. If the Croats regain full control of peninsular territory, this will not be the fighting. Although the Serb-dominated federal army might eventually leave Croatia, a new kind of war - guerrilla warfare - will develop, thanks to the depths of hatred between the two communities.

Spare a thought for what will happen in the other republics. The ethnic Albanians in the Serb- and Croat-controlled province of Kosovo are likely to discard their passivity and rise up against Serbia. In the ethnically-mixed central republic of Bosnia-Herzegovina, the Muslims will take up arms against any attempt by Serbia and the federal army to divide the republic, while Bosnia's Croats, who are concentrated mostly in western Herzegovina, will try and unite with Croatia. In Macedonia, the 56,000 Serbs, urged on by Mr Slobodan Milosevic, the president of Serbia, will resist moves by the republic to seek independence, while Macedonia's 400,000 ethnic Albanians will demand more ethnic rights, and possibly unite with their confères in Kosovo.

Will Arabs and Israelis sign a peace treaty?

Roger Matthews writes: No. But world events in 1991 have made it much more likely that eventually they will be forced to do so. The writing is already on the wall. Peace talks will resume in Washington on January 7, despite the failure of the last round in December. The

willingness to continue is tied to the disappearance of the Soviet Union, to the crushing of Iraq, and to consequent US military and political dominance in the Middle East.

Israel's Arab opponents have been stripped of their most important military supplier and international ally. The military superiority of Israel, backed by nuclear weapons, has never been greater. The last chance the Arab countries have of regaining land captured in 1967, and the Palestinians of embarking on the path to self-rule, is through diplomacy.

The present government of Israel prefers the status quo to any alternative suggested by the Arabs, or by the US and the EC. For so long as Mr Yitzhak Shamir is prime minister, it will use every delaying tactic it can devise, while emphasising its commitment to the peace process.

What seems obvious to others is rarely so clear in the Middle East. Patience is crucial. Long-entrenched prejudices, blind bigotry, religious extremism, economic deprivation and individual political ambition are powerful forces working against any appreciation of strategic change. Saddam Hussein lives.

Will Chinese communism survive?

Alexander Nicoll writes: Yes. Communism will not collapse. The world awaits the death of the Chinese party's octogenarian leadership, and especially that of Deng Xiaoping, its 87-year-old patriarch. But even if *qijong*, their exercise, breathing and meditation routine, fails to keep them going for another year, the party is most unlikely to prove a house of cards like those in the former Soviet bloc.

Rapid economic growth, fostered by market-oriented reforms of a distinctly non-communist nature, serves paradoxically to preserve the party's power. The party has not solved the fundamental problem of how to deal with dinosaur loss-making state industries. They provide massive employment as well as building blocks for the party's own structure. But the party is happy to see the tremendous growth of non-state enterprise - particularly in the area surrounding its future dominance, Hong Kong - always provided that the political dominance is not thrown into question.

In the longer term, the growth of ideas inevitably associated with the growth of the market economy seems bound to pose that question, and to the time being, the octogenarians and their successors seem set to hang on.

Will the Uruguay Round of trade negotiations succeed?

Martin Wolf writes: Yes. But not a little better. Even in the pivot area, agriculture, the gulf between the positions of the two main players, the EC and the US, is too small for continued disagreement to be sustainable.

What is more, the final agreement will be ratified, even by the US Congress. That body of politically craven

opportunists will huff and will puff, but it will not blow the Gatt house down.

What Congress will do, instead, is charge a high price. That price - more regionalism and, above all, more unilateralism - will help to ensure that the Uruguay Round makes only a limited difference. It will be seen, in retrospect, as a brilliant and largely successful holding operation rather than as a decisive move towards what the world most needs: a more liberal trading environment.

Will there be a major initiative to save the environment?

David Lascelles writes: The saguaries for the first Earth Summit in Rio de Janeiro in June, are not encouraging. This huge UN-sponsored jamboree is intended to be the biggest green initiative ever. If it succeeds, it should establish policies to secure the world's environment well into the next century. An Earth Charter, and an Agenda 21.

But so far, only a handful of leaders from more than 100 countries have said they will go. The arrangements for this enormous affair are also straining Rio's resources to the limit.

But even if the summit risks producing more hot air than action, it should still focus the world's minds on the big environmental issues. High on the agenda will be protection of the atmosphere, safeguards for the world's biological diversity, transfer of technology to polluting countries, and stronger financial commitments to supporting these worthy goals.

What about me? Will the price of my house go up?

John Plender writes: An acceptable question in the real estate, but wholly unsuitable in the non-permissive, debt-laden world of the '90s. The correct question today is whether the price of your house will go down; and the answer, with regional variations, is that it almost certainly will.

The thing that has not changed between the decades is the capacity of the housing market to deliver sharp swings in house prices in relation to exchange rates. What is new is the way that the market brings about the adjustment to equilibrium after a period of monetary excess. In the early 1980s inflation diminished the pain.

In the 1990s the government's commitment to disinflation and to maintaining sterling within the Exchange Rate Mechanism (ERM) means that this inflationary escape route is barred. A personal sector that has seen its debt-to-income ratio double over the past decade thanks to financial deregulation now faces the highest real rates of interest since the 1930s. The return to equilibrium is thus being achieved through a combination of increased earnings and falling nominal house prices.

Do not rule out an increase in mortgage rates. Even in an election year a sterling crisis would make this inescapable. And do not blame Norman Lamont - it was John Major who planned his colours to disintegrate and the ERM while at the Treasury.

David Currie says any British upturn will be anaemic and hesitant



It has been a grim Christmas for business and the prospect is for a bleak new year.

This time last year, Mr Lamont's best hope was that the recession would be short and sharp, leaving time for the sense of recovery to be firmly established ahead of the election. As it is, weakness overseas in the US and Europe, coupled with lack of confidence at home, has led to a prolonged slowdown.

In a technical sense, recession is probably over, with the economy bumping along the bottom and a slow, hesitant rise in output in prospect. But it is only technical and may not help Mr Lamont and his government's electoral position: it will be some time before perceptions shift and confidence recovers.

The UK position is not helped by the absence of any good news about the world economy since the summer. In the US consumer and business confidence is fading away, and it remains to be seen whether the action of the Federal Reserve in cutting the discount rate to its lowest level for more than 25 years will head off a "double-dip" recession.

Germany, which acted as a locomotive for Europe through much of 1990-91, slowed markedly towards the end of last year as a result of tax increases and high interest rates. The Bundesbank's decision to raise interest rates earlier in the week before Christmas to head off inflationary pressures will add to the slowdown in Germany. In consequence, recovery in the other European economies is being held back by high real interest rates and slow export demand.

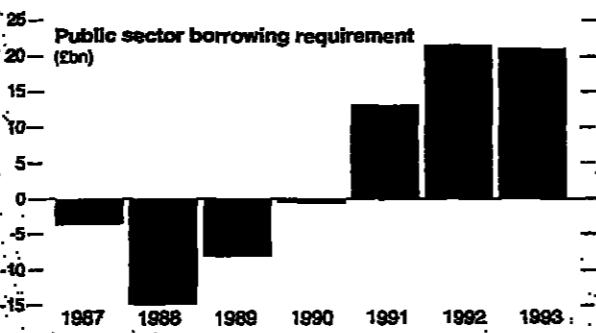
At home, the banking policy success has been the rapid fall in inflation from its peak of more than 10 per cent in the later part of 1990 to about 3 1/2 per cent now. In large part this reflects the impact of recession, though it probably also owes something to Britain's membership of the exchange rate mechanism.

But there remains an important question-mark over the UK economy's ability to combine low inflation with growth. Nineteen ninety-one has demonstrated that a German inflation-performance is possible in the UK. In 1992, we will learn whether the UK can sustain low inflation only at the cost of slow output growth and unemployment close to 3m. The signs are not encouraging: the

Signs not encouraging

UK economy

Growth rates	1991	1992
GDP (average measure)	-2	1 1/4
Consumer expenditure	-3 1/4	1
Fixed investment	-11 1/4	-2
Export volume (goods & services)	1 1/4	3
Import volume (goods & services)	-3 1/4	3 1/4
Percentage change		
Stockbuilding (as % of GDP)	-1 1/2	3/4
Retail prices (year to 4th quarter)	3 1/2	3 1/4
Current account (£bn)	-6 1/4	-7 3/4
Unemployment (million)	2 1/4	2 3/4



Source: London Business School

Financial year

prospect is for a hesitant and anaemic recovery this year and next.

The recovery of demand at home is restrained, as elsewhere, by high real interest rates and slow world growth, but also by very high debt levels, both personal and corporate, and a weak housing market. Last year, pressures on the corporate sector and in the housing market led to an overall fall in investment of more than 11 per cent, while destocking exceeded 1 1/2 per cent of gross domestic product. At the same time, consumer spending fell by 0.8 per cent as the personal sector savings ratio rose to more than 10 per cent. This year, investment is likely to fall a little further, by about 2 per cent, while destocking will continue, though at about half the level.

The reduction in destocking provides an important boost to domestic demand, adding about 0.8 per cent this year. Even with fairly sluggish external demand and a flat

savings ratio, this gives positive growth this year of about 1 1/4 per cent, measured year on year. This represents a 1 percentage point slower recovery than the Chancellor forecast in the Autumn Statement, and a much more anaemic recovery than he would like as the election looms. Output will take until 1993 to regain its previous peak of 1990: the UK economy will then have been in a no-growth trough for three years. Unemployment is set to rise towards 3m in 1993, before turning down.

With a sluggish economy ahead of the election, Mr Lamont will be examining all available policy options. Unfortunately these are strictly circumscribed. The Bundesbank's decision to raise interest rates has all but eliminated the scope for a cut in UK rates ahead of the election if sterling's position within the ERM is not to be jeopardised, and it is quite possible that we will have to match the rise in interest rates of other European

countries. The size of the prospective Public Sector Borrowing Requirement, set to rise to more than £20bn, in excess of 3 per cent of GDP (see accompanying chart), means that there is little economic case for a giveaway Budget, which would in any case have no impact on the economy in time for the election.

The effects of an expansionary budget would come through just as the economy was recovering spontaneously, and might excessively stoke up domestic demand. Despite this, Mr Lamont and his advisers will be seeking to maximise the effects of their budget measures on immediate electoral prospects and on confidence, so the aspiration of a giveaway Budget must be high.

Beyond the election, the policy options widen. There will be the early opportunity to correct the impression left by inaction that the UK is a laissez-faire economy. A Labour government may choose to combine this with adoption of the Social Charter. With the uncertainty associated with the election out of the way, the time may be right to move to a new paradigm in the exchange rate mechanism.

The newly elected government will also face a continuation of the problem that has plagued the Conservatives for the period of this parliament: the fact that the electoral and economic cycles are out of kilter.

There is the danger that the economy will boom in the first half of the next parliament, and then slow for the second half, just as it has in this parliament. One possibility is to bring the parliamentary cycle into line with the economic cycle, by having an election within two years (a possible necessity in the event of a slim majority or a hung parliament).

Alternatively, a newly elected government may prefer to take the hard measures early, and adopt restrictive fiscal measures, bringing down the widening budget deficit. In that case, it will take longer for output to regain its 1990 peak, and unemployment will peak at more than 3m before starting to fall again.

The author is director of the Centre for Economic Forecasting and research dean at London Business School.

Renewed US contraction should not persist, says Laurence Kantor



The US recession that began in mid-1980 has never really ended. Although gross domestic product grew at an average annual rate of 1 1/4 per cent in the second and third quarters of 1991, this represented no more than a temporary rebound from the depressed levels at the time of the Gulf war. The end of the war triggered purchases, particularly of houses and cars, that had been postponed because of low confidence and soaring oil prices. But there was no follow-through from the initial rebound, and the economy has deteriorated steadily since the summer.

Most importantly, the end of the war failed to bring large and steady increases in employment. Modest hiring by factories and home-builders occurred for a time, but was soon swamped by continued lay-offs in sectors less affected by the end of the war. State and local governments made further payroll cuts in response to poor tax collections that created large budget gaps. Employment in defence-related industries continued to drop following last year's budget accord, which called for a 25 per cent reduction in defence outlays by the mid-1990s. Lay-offs also continued in the finance, insurance and real estate sectors, partly reflecting fall-out from sustained declines in commercial property values and construction activity.

The postwar euphoria thus inevitably gave way to a sober recognition on the part of households of the continuing deterioration in employment prospects. Consumer confidence plummeted back to the levels seen during the Gulf war crisis and even the 1981-82 recession. Accordingly, household spending on a variety of goods declined sharply in the fourth quarter of 1991, with the volume of car sales dipping to the lowest level since the early 1980s.

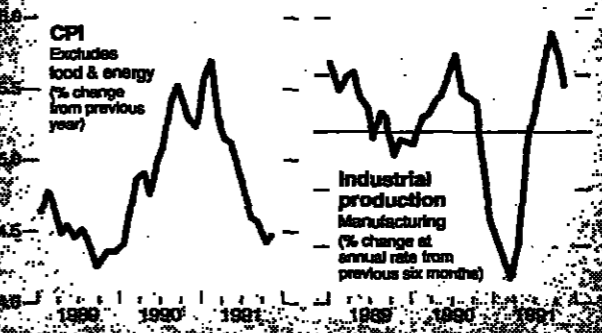
The combination of sharply weaker demand and rising inventories is now bringing the inevitable cuts in output. Industrial production began declining in November and will probably continue to fall into the second quarter of 1992.

It is too early to pinpoint the bottom of the business cycle with a high degree of confidence. But there are a number of factors that suggest that the renewed contraction is not likely to be particularly severe

Recovery at last in sight

US economy

Growth rates	1991	1992
GDP (average measure)	-2	1 1/4
Consumer expenditure	-3 1/4	1
Fixed investment	-11 1/4	-2
Export volume (goods & services)	1 1/4	3
Import volume (goods & services)	-3 1/4	3 1/4
Percentage change		
Stockbuilding (as % of GDP)	-1 1/2	3/4
Retail prices (year to 4th quarter)	3 1/2	3 1/4
Current account (\$bn)	-6 1/4	-7 3/4
Unemployment (million)	2 1/4	2 3/4



Source: Federal Reserve Board

Financial year

or protracted. Inventories are not overly excessive, and cyclical sectors such as cars and housing already have reached recession or near-recession levels of activity. In due course recent and prospective declines in interest rates and the dollar exchange rate, and even possibly some spur from fiscal policy, will boost demand. A reasonable forecast is that a recovery in the overall economy will start by the middle of this year.

Last month's easing in monetary policy, in which the discount rate was lowered by a full percentage point and the target federal funds rate by half a percentage point in a single day, marked a recognition by the monetary authorities of the need for more aggressive action. These moves were followed by a reduction in the prime rate charged by banks to 6 1/4 per cent, nearly two full percentage points below the level last August.

Economic activity will also be boosted in time by the lower dollar. The Fed easing, on the heels of a Bundesbank tightening, has brought the \$/DM exchange rate about 15 per cent lower than the levels that prevailed last summer, and the \$/yen exchange rate has come in at nearly 10 per cent. The lower dollar should allow US producers to continue to pick up share in world markets.

Finally, of course, Congress may well enact some quick-acting fiscal package after it reconvenes this month. Policy in this area, too, could make some contribution to pulling the US out of recession.

The current downturn is unusual in that, if it does last until the middle of 1992, it will become the longest contraction since the 1930s. But it will also likely prove to be a mild one in terms of the peak-to-trough decline in real output.

This long but gradual downturn reflects the effects of two sets of forces, both of which will tend to ensure that inflation remains well controlled even after the recovery begins.

First, the economy is still recovering from a "hangover" of sorts from excesses that were accumulated during the 1980s. In particular, the economy is still being restrained by the long-term drags of debt retrenchment, service-sector cost-cutting, defence spending cuts, and the after-effects of construction overbuilding. These forces will continue to act as a drag on growth for some time to come.

Equally important, current economic weakness reflects the persistently restrictive bias of economic policy. Federal fiscal policy has been tight since 1986, reflecting efforts to reduce the huge federal budget deficit. And monetary policy has not yet been as accommodative as in past recessions, as measured by real interest rates or by money growth.

The overall disinflationary thrust of policy over the past half-decade has pushed down nominal GDP growth to its slowest pace in 30 years. The slowdown in total spending has had its main impact on real growth rather than on inflation over the last three years. That mix will change as weak real output growth gradually erodes inflation.

The extra capacity in markets for labour and capital created by the weak economic performance over the past three years virtually guarantees that inflation will move significantly lower in the early 1990s. The unemployment rate is likely to hover above 7 1/2 per cent through most of 1992, well above the 5-6 per cent rate considered full employment. In the mid-1990s this level of joblessness pushed growth in labour compensation costs down to 3-4 per cent annually.

From a peak of 5 1/2 per cent briefly attained in early 1991, "core" consumer price inflation (excluding food and energy) has already dropped to 4 1/2 per cent year-on-year. Over the past six months the annualised increase has been only 3 1/2 per cent, despite a temporary boost from higher exise and sales taxes. Over the coming months, further improvement in inflation should be visible, to 2 1/4-3 per cent by the end of 1992. This low rate may overstate the extent of decline in price pressures, inasmuch as it would reflect conditions at the recession trough. Even so, a longer-term trend of roughly 3 per cent seems likely.

The author is vice-president at J.P. Morgan, New York, responsible for the bank's US economic forecasts. He was an economist at the Federal Reserve Board from 1984-87.

LETTERS

Electricity generators are manipulating the market

From Andrew Cook.

Sir, Your readers may have had difficulty understanding Mr John Baker's letter justifying peaks in the pool electricity prices (Letters, December 2). I suggest this is because he is trying to defend the indefensible.

The facts are these. There is 50,000 MW of generating capacity in the UK. Normally in the order of 54,000 MW is available for use.

As the peak afternoon period approaches, the generators are inexplicably withdrawing capacity, reducing available capacity to nearer 30,000 MW. Obviously, as in any market, if you reduce supplies when demand is rising, the price shoots up.

This is precisely what the generators are doing - reducing available capacity at a time when demand goes up.

There is firm evidence to support these allegations. On Tuesday December 3 the late afternoon pool price reached 19.15p per unit, the highest ever recorded. The regional electricity companies confirm that there were no unseasonably high demands and temperatures were generally above the seasonal norm.

However, available capacity was reduced to 1,200 MW below the November maximum when it should have been increased in line with the normal onset of winter. More importantly, however, maximum available capacity was 52,733 MW compared with 57,040 MW for the equivalent day in 1990 (Tuesday December 4). It is quite clear from these figures that the generators are manipulating the market in a way that causes a price increase when the pricing formulae that

accompanied privatisation were drawn up. This is manifestly against the consumers' interests and cannot be condoned.

It is also quite unrealistic to introduce such spurious arguments as a need to attract new generators into the industry. In effect, this amounts to depreciating generating plant on a replacement cost basis. There are few manufacturers who do not wish they were able to adopt this practice and pass on the cost to their customers. In the real world, the market simply does not allow such artificial techniques to be passed on in the selling prices. These real-world market-place rules should apply equally to the electricity generators.

Andrew Cook, chairman, William Cook Plc, Parkway Avenue, Sheffield S9 4WA.

Japan rewards persistence

From Mr Barry Chester.

Sir, I read with interest the article by Christopher Lorenz ("Japan should give the locals a chance", November 15) and Mr Mike Parr's letter (November 22). As a British expatriate manager working in a large Japanese company, I agree with many of Mr Lorenz's comments and sympathise with much of Mr Parr's experience.

However, neither of these views provides a complete picture. In my role as manager, planning and industrial relations, I have seen, first-hand, with my Japanese colleagues, the foster greater understanding between worldwide cultures and the Japanese corporate culture. Our successes have not so far been spectacular, but the learning process must certainly have been.

Any solution lies somewhere between the Lorenz/Parr extremes. It is a myth that Japanese people live only to work. It is a fact that Japanese people have the same hopes, fears, and aspirations as the average "westerner", and quite openly speak out in their frustration at corporate policies.

It is more than possible to build trust and confidence, and varying degrees of sensitivity, albeit usually manifested in influence rather than authority, through normal and honest labour. I was recruited in the UK in 1988 and during the next five years worked hard, but no harder than I did in the British company where I was previously employed. My office time averaged between 9 and 10 hours each day, and after-hours "networking" in bars was necessary only once a week on average. I saw my family far more frequently than my Japanese colleagues; and I did not need to learn Japanese until last year.

Finally, success within Japanese Kalsha depends very much on expatriates' willingness to "pioneer" from within the organisation; change, determination to succeed; sensitivity towards others; communication skills; and an ability to balance persistence with patience.

Given these, I am certain the next decade will see greater penetration of locals into the Japanese corporate hierarchy. Barry Chester, Mitsubishi Corporation, 6-3 Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-86.

Scrooge strikes

From Mr John Noble.

Sir, around Easter this year I received an unexpected and welcome piece of news. It came from the liquidator of Baku Consolidated Oilfields Ltd. It transpired my company had been a shareholder in this company, which had lost all its assets in the 1917 Russian revolution. Now that the Soviet Union had made amends and paid compensation, we could anticipate around Christmas a distribution to original contributors or their heirs.

On Christmas Eve I received a further letter from the liquidator, informing me that the Inland Revenue proposed to skim off 35 per cent of our money by way of "corporation tax". After 74 years of zero return, our payment is to be further delayed and substantially reduced.

I wonder on what proper grounds of equity and tax law this mean-minded side-swipe could be based? Is this policy being adopted by the government in all similar compensation cases? John Noble, Ardington Estate, Cairnmuir, Argyll PA26 8BH.

Time to face pensions reality

From Mr Hugh Arthur.

Sir, Mr Busk's argument (Letters, December 18) that the "future service equality" (FSE) amendment to Article 119 of the Treaty of Rome may be invalid is, on his own admission, based on the assumption that the judgment in *Barber v GRE* "does have some degree of retrospective effect".

In *Barber*, the European Court of Justice (ECJ) was asked to interpret the meaning of Article 119 and went out of its way to state that the judgment was not intended to have retrospective effect. Claims have subsequently been made that in the context of pension rights "no retrospectivity" does not mean quite what it says. Any doubts should have been resolved in one or more test cases in the pipeline.

As the ECJ has not yet conclusively determined that *Bar-*

ber does have retrospective effect, Mr Busk's assumption begs the very question which is now answered by the FSE amendment to Article 119. True, the ECJ may be called upon to deliberate on the status of the amendment during the brief interregnum before its formal ratification by all member states. But there is no reason why it should not take a pragmatic view and have regard to the amendment when making its determination.

The *Barber* industry has kept pension lawyers busy for 18 months. Subject only to the ECJ's formal acceptance of the realities, surely the Maastricht settlement provides the opportunity to call it a day, rather than seek excuses to keep the *Barber* handwaggon rolling. Hugh Arthur, Biddle & Co, 1 Gresham Street, EC2.

Seven into one just won't go

From Mrs Penelope Pride.

Sir, Professor John Saunders (Letters, December 21/22) presents an argument for Sunday trading, which makes me - one of the few remaining small retailers - seriously consider opening on Sunday.

Perhaps Prof Saunders could also advise on how a trader such as myself, with one part-time member of staff, can manage to provide a seven-day service - not to mention make a living out of my business?

The very fact that businesses such as mine still survive through this severe recession surely shows that our high streets need the specialist service and goods we provide. It is said that England is a nation of shopkeepers, but the big boys have advantages which this government should ensure are not exploited at our expense. Penelope Pride, 18 Monson Road, Tunbridge Wells, Kent TN11 1ND.

Weekend FT

You obviously know "how to make it" - you're reading the weekday FT.

At the weekend however your attentions turn to other things, as indeed do ours. Having "made it", how for instance do you best "look after it"? Well, Weekend FT's "Finance and the Family" pages cast an expert eye on all aspects of personal finance.

We identify investment opportunities, assess and compare your options and discuss your problems.

Along with the more serious business of "looking after it" we focus our minds on how to enjoy it, or in *Lucia van der Post's* case, quite unashamedly "How to Spend it" - on which, incidentally, she's never short of ideas. Our property pages feature, along with some sound advice, many of the most interesting homes on the market.

How to make it. How to look after it. How to spend it.

We get out to the exhibitions and auctions, out for a test spin with *Stuart Marshall* behind the wheel, out in the garden with *Robin Lane Fox* and more often than not with *Jancis Robinson* were out in the vineyards of France or Italy or wherever her expert nose leads her.

All this and our weekend has barely begun. Order your copy of the Weekend FT from your newsagent this Saturday and join us.

Every Weekend

By Our Foreign Staff

Mr Vance was in an optimistic mood which contrasted with gloomy remarks he made about peace prospects when he

independence - Croatia, Slovenia, Bosnia-Herzegovina and Macedonia - subject to certain criteria on human rights and ethnic minorities being met. If

He said he was trying to arrange a meeting today between Croatian and federal defence officials to discuss details of a truce.

been killed in fierce clashes between Croatian forces and the federal army around the coastal town of Zadar. Violent clashes around other villages

The UN plan envisages setting up United Nations Protected Areas (UNPAs) in three parts of Croatia which have been flashpoints because of

their large Serbian populations - parts of eastern Slavonia, Western Slavonia and Krajina.

Continued from Page 1

Albany	F	8	43	Bordeaux	F	5	4
Bahrain	C	19	65	Boulogne	C	9	4
Bangkok	F	32	60	Brussels	C	4	3
Barcelona	S	9	48	Budapest	S	0	3
Beirut	F	11	52	Suwayh Ainas	F	24	7
Belfast	R	9	46	Cairo	R	15	5
Belgrade	S	0	32	Cape Town	S	23	7

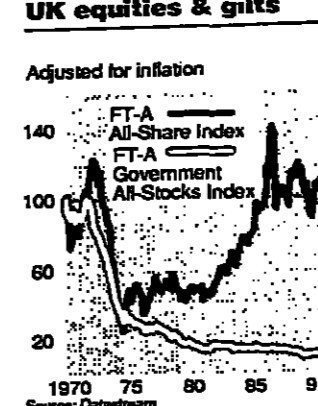
By Neil Buckley in Tbilisi

[illegible]

Agapayev	F	25	52	Tunis	F	15	59
Andriushin	C	4	39	Valencia	F	8	48
Arasboug	C	0	32	Venice	S	5	41
Ardayev	C	24	75	Vienne	S	1	34
Aspel	R	19	69	Warsaw	C	+1	35
Banger	S	15	55	Washington	C	1	34
N. Avdy	R	8	40	Zurich	S	-1	30

Despite the ebullient end to the

of the election, like that of the war, would free the market of uncertainty. But the outlook for the world economy remains



CONFIDENTIAL

Dividend doubts

Over the past year, the question has been whether the proportion of profits paid out to

ther. The whole argument for a sharp rise in equities a year ago was not merely that the economic recovery on both sides of the Atlantic was imminent, but that it would be conventional in form. It now seems unlikely to be either.

Continued from Page 1

Albany	F	8	43	Bordeaux	F	5	4
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Beirut	F	11	52	Suwayh Ainas	F	24	7
Belfast	R	9	46	Cairo	R	15	5
Belgrade	S	0	32	Cape Town	S	23	7

By Neil Buckley in Tbilisi

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WORLDWIDE WEATHER																									
America	S	8	10	12	14	16	18	20	22	24	26	28	Asia	S	8	10	12	14	16	18	20	22	24	26	28
Algeria	S	8	10	12	14	16	18	20	22	24	26	28	China	S	8	10	12	14	16	18	20	22	24	26	28
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Honduras	S	8	10	12	14	16	18	20	22	24	26	28	Ukraine	S	8	10	12	14	16	18	20	22	24	26	28
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FINANCIAL TIMES COMPANIES & MARKETS

Thursday January 2 1992

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NET PROFIT THROUGH NETWORKING



NEWBRIDGE

Building Business Networks
Newbridge Networks Ltd.

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INSIDE

New US bank to take \$625m charge

The new banking group created by the merger of Chemical Banking and Manufacturers Hanover announced on Tuesday that it will have to take a fourth quarter charge of \$625m to cover the expenses related to the link-up. The merger of the new group, Chemical Banking Corporation, was formally completed this week. The new bank has assets of about \$140bn and shareholders' equity of more than \$7bn, making it the second largest bank in the US behind Citicorp. Page 15

Double blow to Parretti

The year ended badly for Mr Giancarlo Parretti (left). The 50-year-old Italian financier was arrested in Italy on December 27, supposedly on charges of tax evasion. Three days later, a US judge awarded continuing control of MGM-Pathe Communications, the Hollywood film company which Mr Parretti acquired in 1990, to his bankers Credit Lyonnais Bank Nederland (CLBN). The judgment was the culmination of a protracted legal wrangle between the Italian businessman and the French-owned bank over control of the famous studio. Nikki Tait looks at the latest twist in a Hollywood epic. Page 15

Czech expansion for Siemens

Siemens, the German electrical and electronics group, has increased its investment in Czechoslovakia by agreeing to acquire 51 per cent of the transport division of Skoda, Pilsen, the country's largest engineering company, in a deal valued at \$105m. The division currently supplies the former Soviet Union with electric locomotives. The joint venture also plans to manufacture suburban trains and subway cars. Page 15

Canadian timber profits fell

Canada's paper, pulp and timber producers, which were hoping for gradual recovery in late 1991, are instead now girding themselves for the heaviest losses of the year in the fourth quarter. Among the companies taking the most drastic action is Fletcher Challenge Canada. It is cutting its product range, moving to more value-added businesses, selling assets, seeking foreign partners and putting the squeeze on costs. Page 15

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Morgan Grenfell named top merchant bank adviser

Morgan Grenfell finished 1991 as the UK's top merchant bank adviser, according to the FT Mergers & Acquisitions International magazine. Morgan Grenfell clinched the top spot in spite of not being involved in the year's biggest new deals. Barings Brothers, last year's number one UK adviser, dropped to sixth place. Page 15

Regina shareholders show faith

Shareholders in Regina Health and Beauty Products passed off the resignation of the first chairman at the first annual meeting with the group's new directors. Regina's shares have fallen from a high of 48.95p in August 1988, to 1.5p on Tuesday, since Mr Shiraz Malik-Noor took over as chairman and chief executive last March. All the group's borrowings have been repaid with the exception of a small loan in Ireland. Page 14

Market Statistics

FT-100 index	24	London share index	19.19
FT-1000 index	24	London traded options	19
FT-10000 index	24	London traded futures	19
FT-100000 index	24	Managed fund service	29.28
Financial futures	24	Money markets	24
Commodity futures	24	World commodity prices	24
London stock index	24	World stock index	24

Companies in the focus

Chemical Banking	15	Newmont Payment System	14
Fletcher Challenge	15	Siemens	15
Hollinger	15	Skoda Pilsen	14
Itas	15	Silgips	14
		Stor	14

Chief price changes

Share price (pence)		Share price (pence)	
Enterprise Oil	449p	Hardy Oil & Gas	252p
Lasmo	322p	Pict. Petroleum	146p
Premier Consolidated Offshores	87p		

London (pence)		FT-100	472 + 17
FT-1000	24	FT-10000	1188 + 42
FT-100000	24	FT-1000000	1701 + 35
FT-10000000	24	FT-100000000	200 + 11
FT-1000000000	24	FT-10000000000	200 + 11
FT-100000000000	24	FT-1000000000000	200 + 11
FT-10000000000000	24	FT-100000000000000	200 + 11
FT-1000000000000000	24	FT-10000000000000000	200 + 11
FT-100000000000000000	24	FT-1000000000000000000	200 + 11
FT-10000000000000000000	24	FT-100000000000000000000	200 + 11

Failed French TV station seeks rescue

By Alice Rawsthorn in Paris

AN ADMINISTRATOR is expected to be appointed within the next few days to take charge of La Cinq, the French television station which earlier this week filed for bankruptcy, and to try to hammer out a rescue package for the channel.

La Cinq, which has for some months been struggling against mounting losses, filed for court protection against its creditors on Tuesday thereby becoming the first significant casualty of the French government's television deregulation drive. The administrator will analyse the state of affairs at the station and try to devise a way of enabling it to stay on air.

The collapse of La Cinq, which was launched in 1986, marks a serious setback for Hachette, the heavily indebted French media group that has been running the channel for the past 18 months. Hachette is, together with Mr Silvio Berlusconi, the controversial Italian media mogul, the biggest shareholder in La Cinq with each owning 25 per cent of the equity.

Hachette first invested in La Cinq in May 1990 as part of the strategy devised by Mr Jean-Luc Lagardère, its president, to turn the group into a major player in television. The decision to file for bankruptcy followed Hachette's failure to implement a drastic cost cutting package - which would have shed 293 of the station's 537 permanent staff and 292 out of 372 temporary employees leaving it to broadcast with a team of just 27 journalists.

Hachette, which has extensive interests in French book and newspaper publishing as well as owning the rights to Elle magazine, incurred hefty borrowings after a series of US acquisitions. Last week it told the Conseil Supérieur de l'Audiovisuel, the body that regulates the French TV system, that it would not provide any additional capital for La Cinq, which lost an estimated FF1.12bn (\$215.8m) - slightly more than its overall turnover - in 1991 contributing to accumulated losses of around FF2bn.

Other existing shareholders also refused to pour more money into La Cinq. The other investors include Mr Robert Hersant, the right wing French newspaper baron, with 7.5 per cent and the French banks - Crédit Lyonnais, Société Générale and Crédit Commercial de France - together with GAN, one of France's largest insurance groups, and Kleinwort Benson, the London-based bank.

La Cinq has had a chequered history in its six years on the air. Its introduction, combined with the privatisation of TF1 and the launches of Canal Plus and M6 formed part of a TV deregulation programme intended to offer new channels to French viewers by bringing private capital into the system. However, La Cinq, which styled itself as "family station" in spite of being best known in France for its late night soft pornography, never really succeeded in attracting enough viewers or advertising revenue.

Laister may quit as head of MCC

By Richard Gourlay in London

MR PETER LAISTER said last night he was considering resigning as chairman of Maxwell Communication Corporation following High Court approval on Tuesday of an arrangement covering the company's administration in the US that removes the MCC board's powers.

The arrangement between the UK administrators and the US examiner, appointed by the New York bankruptcy court, was designed to harmonise insolvency proceedings against MCC and avoid conflicts of jurisdiction. If the New York bankruptcy court approves the arrangement on Friday, as is likely, Price Waterhouse as UK administrators will effectively be recognised by the US court as "debtor in possession".

MCC board members will then lose the power to reconstruct the company under Chapter 11 bankruptcy law and will leave Mr Laister with no executive role either in the US or the UK where MCC is in administration.

"I have done what I became chairman to do, apart from the matter of MCC pensioners," Mr Laister said, saying the placing of MCC in the US in Chapter 11 was a necessary step.

He said he was concerned that any reconstruction would ensure MCC's UK pension funds were adequately refinanced. Some \$73m (\$135m) of the \$98m in UK pension funds appear to have been taken and only about one third of assets currently needed were actually in place, he said.

Mr Laister took over as chairman of MCC on December 3, following Mr Kevin Maxwell's resignation in order to avoid conflicts of interest. He had a frosty relationship with Price Waterhouse.

He surprised MCC's bankers and Price Waterhouse by applying for Chapter 11 protection from creditors in the US where 60 per cent of MCC's assets are held. He then criticised a Price Waterhouse report to bankers detailing the losses at MCC which alleged "extensive misfeasance" among senior executives as "a shoddy piece of work".

The eclipse of Mr Laister and the MCC board by the Transatlantic co-operation between bankruptcy officials should now allow an orderly wind down of the MCC empire.

In its application to the High Court, Price Waterhouse specifically called for Mr David Shaffer to remain as American chief executive of MCC because of his detailed knowledge of Macmillan and Official Airlines Guide, two of the largest assets.

Black in bid for Israeli interests, Page 14

Strong showing for UK pension funds

By Norma Cohen in London

UK PENSION funds scored an average return of over 16 per cent in 1991, more than recovering all their investment losses from the year before. However, the strong performance means that net new cash flowing into pension funds is running well below average and this is restricting fund managers' investment flexibility.

Returns on equities alone were a record 30 per cent, the best year for those securities since the WM Company, which measures pension fund performance, began keeping records in 1976. Returns on overseas equities totalled 21 per cent.

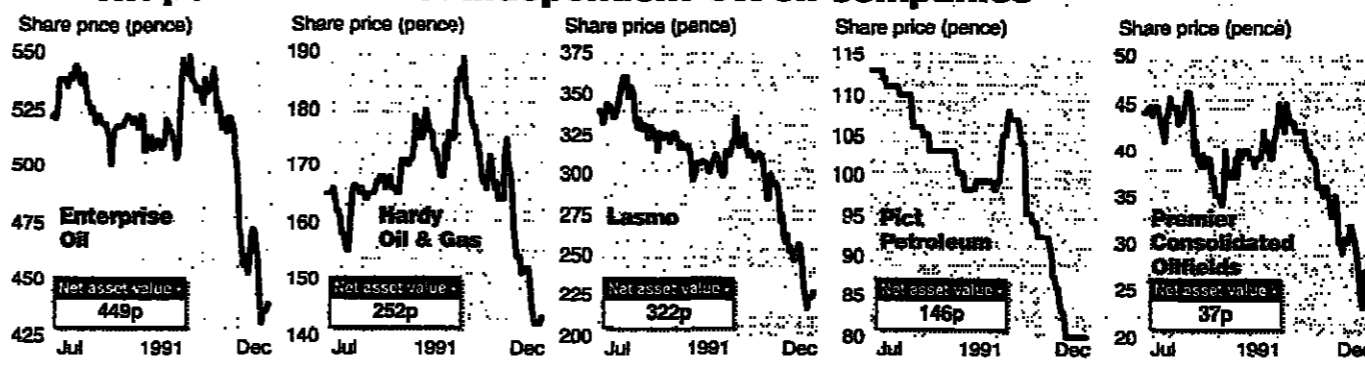
The stellar performance of domestic and foreign equities has been particularly significant for pension funds in the past year with average weighting in those securities rising to a record 80 per cent. In 1990, the average weighting was 70 per cent, while 10 years ago the average pension fund had 56 per cent of its assets in equities.

WM Company's Stephen Gosztony says that there has been a switch out of UK bonds and cash, but the performance of UK bonds in 1991, at 18.8 per cent, nearly matched that of equities. Cash investments showed a 12.9 per

cent return. The worst performing sector was property, which recorded a 0.2 per cent decline, and index-linked securities, which returned 5.6 per cent.

WM Company analyses the returns of 2,500 UK pension portfolios representing more than three-quarters of the total UK pension fund market. Over the past five years, in spite of two stock market crashes, UK pension funds have comfortably out-run inflation, returning on average 9.5 per cent per year. This compares with average annual rises in retail prices of 6.3 per cent, while average earnings rose 8.8 per cent per year. As a result UK employers are no longer providing enough new cash to their pension funds to meet current obligations.

Recent performance of independent UK oil companies



Deborah Hargreaves on the falling share prices of UK independents

Evaluating the worth of oil

THE SUCCESS of Lasmo's strongly-contested bid for fellow oil group Ultramar has piled gloom on the UK independent oil sector where shares have followed the declining oil price on its downwards spiral.

Lasmo's bid valued Ultramar well below the City of London's estimate of the company's worth. Now with many share prices in the sector at their lowest since the last oil price plunge of 1986, some analysts are reassessing the basis on which they value the independents. Many of these companies are still valued on paper at almost double their current share price.

"The market is valuing us on the basis of \$18-a-barrel oil production with nothing in there for our exploration potential at all," said Mr Paul Zatis, finance director at Clyde Petroleum. Clyde's share price has dropped from more than 150p last year to 77p against an net asset value by County NatWest of almost 100p a share.

Some of the smaller companies in the sector could feel the pinch enough to look for mergers and are vulnerable to takeover. "I think we will see a lot more forced mergers amongst the smaller companies in the next six to nine months," said Ms Angela Burns, oil analyst at County NatWest.

The asset valuation belies the company's potential which has been enhanced by Ultramar's assets. But some of the points made by Ultramar in its defence - such as Lasmo's expensive costs of finding oil - have needed shareholders who could be susceptible to a cash bid.

Lasmo is moving swiftly to unlock shareholder value by selling Ultramar's North American refineries which could be worth as much as \$1bn (\$1.62bn). The company has been talking to interested purchasers, but most interest has been shown in the Wilmington plant in California which could be sold by February when Lasmo announces its



Turbulent waters: more mergers may be on the horizon

which has put the diversified oil and gas group at 40p a share.

The UK oil exploration and production sector underperformed the FT All-Share index by 20 per cent during the two-month bid and continues to drop.

Lasmo itself now looks vulnerable in spite of its increased size. The company's share price has plummeted since the takeover and, at 22p a share, against the City of London's valuation of almost 100p a share more, Lasmo is one of the cheaper companies in the sector.

Other companies in the sector are also coming under pressure from shareholders to release value by selling acreage as soon as large discoveries are made. Hardy Oil and Gas has recently participated in a large discovery on the Elgin block of which it owns 20 per cent. The field is believed to contain about 150m barrels of oil and up to 1,000bn cu ft of gas and will be one of the biggest of the new generation of North Sea fields when it is developed in conjunction with the neighbouring Franklin field later in the decade.

"There is a view put forward in the City that we could sell it," said Mr Peter Elwes, deputy chairman and chief executive, who has seen the company's share price drop to 144p compared with an asset value of 250p.

"But that is a very short-term approach and in trying to build this business we have to look five to seven years ahead."

Mr Roger Aylard, analyst at Warburg Securities, believes Lasmo's takeover of Ultramar will divide the UK exploration and production sector into a two-tier group, headed by Enterprise Oil and Lasmo which can be rated on earnings as well as asset values.

Suggestions by some analysts that all companies in the sector should be judged on earnings rather than asset values are quickly shot down by many of the smaller companies which devote all of their resources to exploration. In any case, as Mr Roland Shaw, chairman of Premier Oil, stresses: "Our earnings have increased this year [1991], but our share price has still dropped by 60 per cent."

The fall in share prices has cut off one of the usual ways for small companies to raise cash for exploration programmes as it is impractical to launch a rights issue when prices are so low.

Pict Petroleum raised almost £12m from a recent rights issue, but Mr John Lander, managing director, said the company was not happy about having to offer the rights at a 15 per cent discount to the share price. Since then, the share price has dropped further and take-up of the rights was just over 50 per cent. "We have to work twice as hard to get the price back up again with good exploration news," he said.

There is little joy on the horizon for the UK independents until the oil price and the strength of the dollar show some recovery. Oil prices, which are usually fairly buoyant in winter, have dropped \$5 since October to below \$18 a barrel.

In addition, the weakness of the dollar against the pound has translated into a sterling oil price of \$9.50 a barrel when many North Sea operations require a price above \$10 a barrel to be profitable.

"We're at the end of a cycle and share prices are at ridiculous levels, but that doesn't mean we're finished," said Mr Shaw.

New US corporate issues hit \$579.7bn

By Nikki Tait in New York

NEW ISSUES of underwritten corporate securities reached record levels during 1991 in the US, generating more than \$4.5bn in fees for Wall Street investment banks.

Total corporate new issues - of both debt and equity-related securities - reached \$579.7bn last year, according to D.D. Information Services, a US financial information company. The previous record was set in 1990, when the figure amounted to \$312.1bn.

The surge in new issue volume is attributed partly to record stockmarket levels which encouraged many companies with debt-ridden balance sheets to seek new equity funds, and partly to the dramatic decline in interest rates.

The sharpest growth was seen in "common share" offerings, up by 185 per cent to \$54.8bn, whereas initial public offerings - or flotations - were up 140 per cent to \$24.3bn. There was also a marked increase in preferred stock financings thanks to the use of PRCs, a new Morgan Stanley-designed financial instrument. Straight debt issues rose more modestly, by 75 per cent to \$497.4bn.

The trend has brought healthy underwriting fees for Wall Street investment banks, although these remained below the record \$5bn in 1986. Disclosed underwriting fees totalled \$4.54bn last year, more than double the 1990 figure, with Merrill Lynch holding its position as the leading US corporate underwriter.

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MARKET REPORT

Sizeable changes in aluminium and zinc stocks at London Metal Exchange warehouses were reported on New Year's Eve and prompted an apparently perverse reaction. Aluminium stocks moved closer towards 1m tonnes with a \$2,225 tonnes rise taking the total to a record 987,150 tonnes. Traders said this produced some dealer interest before trade buying interest reversed the trend so, despite the stock rise, aluminium for delivery in three months ended New Year's Eve \$1.75 up at \$1,150.50 a tonne. Zinc stocks fell by 4,600 tonnes to 152,000 tonnes after a big shipment out of Rotterdam. Traders said this was possibly the tail-end of a large

merchant shipment of Peruvian metal to the UK. Three-month zinc prices closed on December 31 down 50 cents at \$1,115 a tonne. Dealers said trading was very thin. Copper prices were under moderate downside pressure after news that LME stocks rose by 1,925 tonnes to 327,425 tonnes, the highest since March 1984. Cocoa futures closed with moderate losses after active fund-selling. With New York also sharply weaker, near-March tested was no fundamental reason behind the drop in price, other than long speculator liquidation.

Compiled from Reuters

London Markets

SPOT MARKETS
Crude oil December 30 (per barrel FOB) + or -

Dubai \$14.70-4.90
Brent Blend (dated) \$17.80-5.05
Brent Blend (Feb) \$17.80-5.05
WTI (11 Jan est) \$18.80-5.90

Oil products
DME prompt delivery per tonne CIF + or -

Premium Gasoline \$192-182 -4
Gas Oil \$192-182 -4
Heavy Fuel Oil \$182-182 -1 1/2
Naphtha \$182-182 -1 1/2
Petroleum Argus Estimates

Other + or -
Gold (per troy oz) \$353.30 +1.55
Silver (per troy oz) \$334.20 +3.5
Platinum (per troy oz) \$334.20 +3.5
Palladium (per troy oz) \$793.75 +0.40

Copper (US Producer) 101.80
Lead (US Producer) 37c
Tin (Kuala Lumpur market) 14,811
Tin (New York) 14,811
Zinc (US Prime Western) 62c

Cattle (live weight) 103.90e -14.8
Sheep (dead weight) 168.70p -7.95
Pigs (live weight) 85.30p -4.30

London daily sugar (raw) \$23.52 -1.0
London daily sugar (white) \$23.82 -1.4
Tate and Lyle sugar (white) \$23.82 -1.4

Barley (English feed) \$125.50
Maize (US No. 3 yellow) \$141.50
Wheat (US Dark Northern) \$101

Rubber (Feb) 47.50
Rubber (Mar) 48.25p +0.25
Rubber (Jul) 48.25p +0.25
Rubber (Oct) 48.25p +0.25

Coconut oil (Philippines) \$712.50 +2.5
Palm oil (Malaysia) \$382.50
Cocoa (Philippines) \$460
Soyabean (US) \$141y -2
Cotton "A" Super 61.35c
Wooltops (84 Super) 415p

C & A tonnes unless otherwise stated, p=per cent, e=cent, f=fraction, y=yield, m=month, y=year, Jan=January, Feb=February, Mar=March, Apr=April, May=May, Jun=June, Jul=July, Aug=August, Sep=September, Oct=October, Nov=November, Dec=December.

Mar=March, Apr=April, May=May, Jun=June, Jul=July, Aug=August, Sep=September, Oct=October, Nov=November, Dec=December.

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WORLD COMMODITIES PRICES

COCOA - London FOEX

	Close	Previous	High/Low
Dec 725	725	725	725
Mar 725	725	725	725
May 725	725	725	725
Jul 725	725	725	725
Sep 725	725	725	725
Nov 725	725	725	725
Dec 725	725	725	725
Mar 725	725	725	725
May 725	725	725	725
Jul 725	725	725	725
Sep 725	725	725	725
Nov 725	725	725	725
Dec 725	725	725	725
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Jul 725	725	725	725
Sep 725	725	725	725
Nov 725	725	725	725
Dec 725	725	725	725



AMERICANS

BUILDING MATERIALS - Cont.

CONTRACTING &

CONSTRUCTION - Cont. ENGINEERING**ERING - GENERAL - Cont.**

HEALTH & HOUSEHOLD -

INVESTMENT

AUSTS - Cont.

Johnson Cleaners	808	---	808	3
Leo	8	---	187	
Levy	188	---	187	

115.4	5.7	12.6	Jones Stroud_____	798
12.4	4	1.1	Johnson El HKS_____	64 1/2
17.1	1.6	12.8		

215	120	35.1	5.8	11.6	Esparix-
79	37	198.7	2.2	22.3	Sterling In
					76

231	46	283	167	170.9	3
115m	—	152	114	32.2	6
84	—	72	84	5.83	12

1.7	Resort Hotels	94	+1	704
5.6	Ryan Hotels	34 1/2	+1 1/2	47

48	115	Garment East Inc. M
63	89	Warrants
22	22	Garment South Inc. M

1	120	80	-	-
2	115	102	15.6	-

Anglo Ltd	28	+1/2	41 1/4	28
BASE DM	27 1/4	—	28 1/4	9

99.4	7.1	—	Modulation Index	—	286
1.45	8.9	7.5	Rotational Power	—	145

2	206	206	743.8	5.7	8.3	
5	170	110	2,804	5.1	7.9	
7	208	212	728.4	6.5	6.8	Section 8

Notes	Price	Yld	1991	1992	low	Cap Em	Gr

■Sedgwick	211	+4	214
■Steel Burdell	301	—	340

195	127.4	7.6	16.7	US Optimization ____ M
54	182.2	5.4	15.7	Zero Dry Pt ____

+	101	75	11.0	0.24	25
-	100	130	12	-	-

BREWERS & DISTILLERS

Priority Inv's NZS	38	—	45	2
SPR AS	135	+4	270	1

02.4	9.2	27.0	*Forward	71
550	\$	10.5	Forward Tech	14

62	41	6.75	41	10.7	Penetration
27 1/2	11	4.75	—	—	Sens.
27 1/2	—	—	—	—	Wt. %

77	87	70	3.87	4.
311	-1 338 1/2	178 1/2	92.8	4.
334	1.6	400	1.774	2.

Utd Friendly B... 345 433

202.8 4.0 15.5

$$\begin{array}{r} \frac{1}{+N_2} \quad \frac{35}{120} \quad \frac{18}{100} \quad \frac{-}{5.2} \quad \frac{-}{101.5} \quad \frac{-}{-3.7} \end{array}$$

BUILDING MATERIALS

Anglia Sec	25		74
shrood	153	+2	195

1.59	—	—	Siemens DM	2218
98.8	3.4	16.8	MSI Strata	12

£200	£191	11,015	2.0	-	Shoprite (E)
30	10	1.23	£	-	MTSoc

232	—	481	102	48.8	1.1
227	+10	239	205	4.401	3.1

4	■ CST Emerg Asia	30	—	70
---	------------------	----	---	----

2 1/2 pc 2000 _____

41	100	84	3.1	130.9	25.1
—	5102 ₂	282 ₂	2.9	—	—

[illegible]

1998年12月

[illegible][illegible][illegible]

based on intra-day mid-prices.

Where stocks are demonstrated as carryovers other than trading, this is indicated after the return.

Synthetic returns to dividend stocks appear in the notes column only as a guide to prices and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalization shown is calculated separately for each of all stock quoted.

Estimated poundings: redies on based on latest annual reports and accounts and, where possible, is rounded on half-yearly figures. P/E's are calculated on "full" price, including dividends, and are shown below companies on profit after taxes.

Estimated accounting profits/losses and estimated ACT of 25 per cent and above for dividend non-prices, are given, followed in ACT of 25 per cent and above for value of declared dividend and signs.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the NAVs of the Trusts (or Investment Trusts) in the current closing share price. The NAVs netted assumes prior charges at par value, including shares converted and warrants assumed a 100% option.

[illegible]

United Kingdom for a sum of £1100 a year for each security alarm, subject to the
 Her Majesty's discretion

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IRELAND (REGULATED)*

FT MANAGED FUNDS SERVICE

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pressures on sterling ease

THE PRESSURES on sterling eased slightly on Tuesday after Mr Norman Lamont, the chancellor of the exchequer, warned that there would be no devaluation of the pound in the Exchange Rate Mechanism.

With little business being transacted in the currency markets ahead of the new year holiday, dealers said it had taken only a small amount of buying interest to boost the pound.

In particular, traders welcomed Mr Lamont's strong rejection of calls from within his own party for a realignment of the ERM currencies.

Further support for sterling came from the Confederation of British Industry. Mr Brian Corby, the CBI president, said it would be "absolutely foolish" to contemplate a devaluation. He added that a devaluation could lead to higher interest rates.

As trading in the London market drew to a close, sterling was quoted at DM2.8775, unchanged from Monday's close; it was higher at \$1.8710 from \$1.8670.

In spite of sterling's modest recovery, it still remained firmly at the bottom of the ERM. The Spanish peseta, the strongest currency in the ERM grid - was 6.2 per cent above the pound, just below the level at which the Bank of

England would be forced to defend the UK currency.

Many analysts still believe that the pressure on sterling will eventually force the government to raise interest rates. With money market rates at 11 per cent, signalling a ½ point rise in base rates, those pressures are likely to grow as the new year begins.

The impact of the Bundesbank's decision to lift interest rates before Christmas is likely to be felt throughout the ERM this month unless German rates ease back. But with German inflation not yet under control, dealers said there was unlikely to be any relief from the Frankfurt money markets.

The dollar was steady to slightly firmer against the D-Mark. Analysts noted that the reduction in Japanese interest rates, the dollar had stabilised and was beginning to edge modestly higher against European currencies.

However, it continued to weaken against the yen. Dealers believed the yen's strength against the dollar had been encouraged by Japanese monetary authorities and was a response to the visit to Japan of Mr George Bush, the US president.

The yen's rise against the dollar would allow US exports to become more competitive in Asian markets and would help deflect attention away from the politically sensitive issue of Japan's trade surplus with the US.

Trading is likely to remain thin for the rest of this week and the market is not expected to be back to full strength until Monday. The release of the December US purchasing managers survey today will be closely examined for signs of recovery.

The dollar closed at DM1.5170 from DM1.5200 and at ¥124.95 from ¥125.70.

FINANCIAL FUTURES AND OPTIONS

LIVE US DOLLAR FUTURES OPTIONS			
Strike	Call	Put	Settlement
100	1.45	0.11	0.54
105	1.40	0.11	0.54
110	1.35	0.11	0.54
115	1.30	0.11	0.54
120	1.25	0.11	0.54
125	1.20	0.11	0.54
130	1.15	0.11	0.54
135	1.10	0.11	0.54
140	1.05	0.11	0.54
145	1.00	0.11	0.54
150	0.95	0.11	0.54
155	0.90	0.11	0.54
160	0.85	0.11	0.54
165	0.80	0.11	0.54
170	0.75	0.11	0.54
175	0.70	0.11	0.54
180	0.65	0.11	0.54
185	0.60	0.11	0.54
190	0.55	0.11	0.54
195	0.50	0.11	0.54
200	0.45	0.11	0.54
205	0.40	0.11	0.54
210	0.35	0.11	0.54
215	0.30	0.11	0.54
220	0.25	0.11	0.54
225	0.20	0.11	0.54
230	0.15	0.11	0.54
235	0.10	0.11	0.54
240	0.05	0.11	0.54
245	0.00	0.11	0.54
250	0.00	0.11	0.54
255	0.00	0.11	0.54
260	0.00	0.11	0.54
265	0.00	0.11	0.54
270	0.00	0.11	0.54
275	0.00	0.11	0.54
280	0.00	0.11	0.54
285	0.00	0.11	0.54
290	0.00	0.11	0.54
295	0.00	0.11	0.54
300	0.00	0.11	0.54
305	0.00	0.11	0.54
310	0.00	0.11	0.54
315	0.00	0.11	0.54
320	0.00	0.11	0.54
325	0.00	0.11	0.54
330	0.00	0.11	0.54
335	0.00	0.11	0.54
340	0.00	0.11	0.54
345	0.00	0.11	0.54
350	0.00	0.11	0.54
355	0.00	0.11	0.54
360	0.00	0.11	0.54
365	0.00	0.11	0.54
370	0.00	0.11	0.54
375	0.00	0.11	0.54
380	0.00	0.11	0.54
385	0.00	0.11	0.54
390	0.00	0.11	0.54
395	0.00	0.11	0.54
400	0.00	0.11	0.54
405	0.00	0.11	0.54
410	0.00	0.11	0.54
415	0.00	0.11	0.54
420	0.00	0.11	0.54
425	0.00	0.11	0.54
430	0.00	0.11	0.54
435	0.00	0.11	0.54
440	0.00	0.11	0.54
445	0.00	0.11	0.54
450	0.00	0.11	0.54
455	0.00	0.11	0.54
460	0.00	0.11	0.54
465	0.00	0.11	0.54
470	0.00	0.11	0.54
475	0.00	0.11	0.54
480	0.00	0.11	0.54
485	0.00	0.11	0.54
490	0.00	0.11	0.54
495	0.00	0.11	0.54
500	0.00	0.11	0.54
505	0.00	0.11	0.54
510	0.00	0.11	0.54
515	0.00	0.11	0.54
520	0.00	0.11	0.54
525	0.00	0.11	0.54
530	0.00	0.11	0.54
535	0.00	0.11	0.54
540	0.00	0.11	0.54
545	0.00	0.11	0.54
550	0.00	0.11	0.54
555	0.00	0.11	0.54
560	0.00	0.11	0.54
565	0.00	0.11	0.54
570	0.00	0.11	0.54
575	0.00	0.11	0.54
580	0.00	0.11	0.54
585	0.00	0.11	0.54
590	0.00	0.11	0.54
595	0.00	0.11	0.54
600	0.00	0.11	0.54
605	0.00	0.11	0.54
610	0.00	0.11	0.54
615	0.00	0.11	0.54
620	0.00	0.11	0.54
625	0.00	0.11	0.54
630	0.00	0.11	0.54
635	0.00	0.11	0.54
640	0.00	0.11	0.54
645	0.00	0.11	0.54
650	0.00	0.11	0.54
655	0.00	0.11	0.54
660	0.00	0.11	0.54
665	0.00	0.11	0.54
670	0.00	0.11	0.54
675	0.00	0.11	0.54
680	0.00	0.11	0.54
685	0.00	0.11	0.54
690	0.00	0.11	0.54
695	0.00	0.11	0.54
700	0.00	0.11	0.54
705	0.00	0.11	0.54
710	0.00	0.11	0.54
715	0.00	0.11	0.54
720	0.00	0.11	0.54
725	0.00	0.11	0.54
730	0.00	0.11	0.54
735	0.00	0.11	0.54
740	0.00	0.11	0.54
745	0.00	0.11	0.54
750	0.00	0.11	0.54
755	0.00	0.11	0.54
760	0.00	0.11	0.54
765	0.00	0.11	0.54
770	0.00	0.11	0.54
775	0.00	0.11	0.54
780	0.00	0.11	0.54
785	0.00	0.11	0.54
790	0.00	0.11	0.54
795	0.00	0.11	0.54
800	0.00	0.11	0.54
805	0.00	0.11	0.54
810	0.00	0.11	0.54
815	0.00	0.11	0.54
820	0.00	0.11	0.54
825	0.00	0.11	0.54
830	0.00	0.11	0.54
835	0.00	0.11	0.54
840	0.00	0.11	0.54
845	0.00	0.11	0.54
850	0.00	0.11	0.54
855	0.00	0.11	0.54
860	0.00	0.11	0.54
865	0.00	0.11	0.54
870	0.00	0.11	0.54
875	0.00	0.11	0.54
880	0.00	0.11	0.54
885	0.00	0.11	0.54
890	0.00	0.11	0.54
895	0.00	0.11	0.54
900	0.00	0.11	0.54
905	0.00	0.11	0.54
910	0.00	0.11	0.54
915	0.00	0.11	0.54
920	0.00	0.11	0.54
925	0.00	0.11	0.54
930	0.00	0.11	0.54
935	0.00	0.11	0.54
940	0.00	0.11	0.54
945	0.00	0.11	0.54
950	0.00	0.11	0.54
955	0.00	0.11	0.54
960	0.00	0.11	0.54
965	0.00	0.11	0.54
970	0.00	0.11	0.54
975	0.00	0.11	0.54
980	0.00	0.11	0.54
985	0.00	0.11	0.54
990	0.00	0.11	0.54
995	0.00	0.11	0.54
1000	0.00	0.11	0.54

LIVE US TREASURY BOND FUTURES OPTIONS					
OPTION POINTS OF 1/32%					
Strike	Call-settlements		Put-settlements		
Price	Mar	Jun	Mar	Jun	
9975	0.82	1.15	0.01	0.02	
9900	0.58	0.91	0.02	0.03	
9825	0.37	0.70	0.06	0.07	
9750	0.19	0.50	0.13	0.12	
9675	0.09	0.33	0.28	0.20	
9600	0.03	0.19	0.47	0.31	
9525	0.01	0.10	0.70	0.47	
9450	0	0.05	0.94	0.67	
Estimator volume total, Call 100 Puts 91					

CANADA[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

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FINANCIAL TIMES

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AMERICA

Dow ends the year at record high

Wall Street

US EQUITIES paused for breath on New Year's Eve after six days of strong gains, yet in spite of some profit-taking and computerised program selling, Wall Street managed to end the day and year firmer at a new record high.

At the close the Dow Jones Industrial Average was up 4.92 at 3,159.55, making an advance of 536 points or 20.3 per cent for the whole of 1991. The more broadly based Standard & Poor's 500 added 1.95 at 417.09, also a new all-time high, while the Nasdaq composite of over-the-counter stocks joined in the record-making, climbing 6.59 to 586.34.

Turnover on the New York Stock Exchange amounted to 248.5m shares, exceptionally heavy for the last day of the year, while advancing issues

outnumbered declines by 1,244 to 600.

Although the market opened in confident mood, the Dow climbing more than 20 points in the first hour of trading, there were plenty of investors willing to take profits on some of their recent gains, and by midday the main indices were showing modest losses.

A round of program selling also contributed to the downturn, but by the end of the session the losses had been clawed back and the market finished slightly firmer on balance. This enabled the Dow to register its fourth record in as many days and brought the curtain down on the best-ever December for US equities.

Among individual stocks, SmithKline Beecham moved ahead 3 1/4% to \$79 after the group won approval from the US Food and Drug Administration to market Relafen, a non-

steroidal anti-inflammatory drug used in the treatment of ulcers.

On the way down were two big banking issues. Chemical Bank relinquished 1 1/4% to \$21 1/2 and Manufacturers Hanover receded 1 1/4% to \$24 after the two groups formally completed their merger and revealed that the new combined holding company would be taking a bigger than envisioned fourth-quarter charge of \$825m to cover the costs of the link-up.

Carroll's slipped 3/4% to \$14 as investors sold the stock after news that the troubled film-making group had offered to buy back all of its 14 per cent senior notes at a discount.

Profit-taking took its toll of some of the leading stocks which have enjoyed big gains in the year-end rally, with Philip Morris surrendering 1/4% to \$79 in a volume of 2.6m shares, IBM losing 1 1/4% to

\$89 and Coca-Cola shedding 1/4% to \$50 1/4.

On the over-the-counter market, very heavy demand lifted Amgen 3 1/4% to \$75 1/4, in turn-over of almost 6m shares.

Canada

TORONTO mirrored the Wall Street movements in thin trading, with the market fluctuating as participants worked to square positions ahead of the end of the session and the year.

The composite index was finally a net 6.5 firmer at 3,512.4, leaving a rise for 1991 of 255.7 points or 7.8 per cent. Advances led falls by 386 to 224 after a volume of 19.5m shares.

The gold sub-group index stood out with a gain of 4.59 per cent. Gold bullion was quoted at US\$354.25 an ounce in New York, up \$1.25 from Monday's close.

Latin America rewards believers

But a few clouds have appeared on the horizon, says Stephen Fidler

LATIN AMERICA'S stock markets put on a striking performance in the 489th year after the arrival of Christopher Columbus in the Americas. And most followers of emerging markets believe that they have a good chance of faring well in the 500th.

The most important markets - Argentina, Brazil, Chile and Mexico - together gave investors total returns in dollar terms of 106.4 per cent in the first 11 1/2 months of 1991, according to the International Finance Corporation.

The Argentine market more than quadrupled investors' money, with a total return of 339 per cent. Brazil, in spite of its economic travails and galloping inflation, more than doubled its returns on Mexico were 92.7 per cent, Colombia 141 per cent, Chile 87 per cent and Venezuela more than 30 per cent. Against this, the rest of the world looked pedestrian.

The optimism fuelled these gains was built on a number of premises. Economic reform continues apace in many countries, and there is a fair chance of debt restructuring agreements for type of the region's bigger economies, Argentina and Brazil. Both factors offer the prospect of a renewal of economic growth.

Evidence continues that residents are bringing their so-called flight capital home, some of it into equities. "Latin American markets still have quite a lot of room to grow," says Mr Marc Wenhamer, fund manager at the London-based Latin American Securities, which manages about \$500m in equity investments.

The horizon is not cloudless, however. The strength of the markets, particularly Mexico, since early 1990 has encouraged significant new issues of equity, especially into the international markets. Together with the privatisation issues, many see a danger of markets being overwhelmed.

Market watchers are aware of the risk that the big build-up of foreign capital in some markets could be sharply reversed. Ms Caroline Tillot of John

ada and Mexico, could hit sentiment in Mexico. As it stands, the market drops on every hint from Washington that agreement might not be possible in a US election year. Mexico and others also suffer directly from US economic weakness.

A loss of confidence in Mexico could quickly rebound on to the other markets. But investors have had to become accustomed to volatility.

As in other emerging markets, they have also grown used to practices frowned on in more developed markets. Asked about insider trading, for example, Mr Rathnam says: "There are few violations because in most places it is not illegal." Many companies are still family held and the float of readily traded stock tends to be small; management dealings in the stock thus often have an undue influence on prices.

Reading balance sheets also has its perils. Inflation of the levels prevailing in Brazil of more than 20 per cent a month distorts company results, as it biases their trading in favour of financial, over productive, activities.

In spite of this, fund managers say that, in terms of access, Latin America is better than many other emerging markets. There are rules that limit the speed with which an investor can sell shares bought in Chile, but exchange restrictions are no longer widespread. Most of the important exchanges have been modernised; fund managers claim that clearing and settlement is generally good. One notorious exception is Venezuela, but even here modernisation is expected in 1992.

Most of the markets, however, remain illiquid, meaning that it can be difficult to sell stock when sentiment turns. On the other hand, the ratios of market capitalisation to gross national product are such that further market growth seems inevitable.

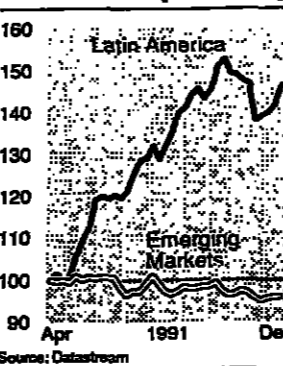
According to Mr Wenhamer, the ratios of share price to earnings (on a historical basis) are 12 in Mexico, 16 in Chile, 24 in Venezuela and less than 6 in Brazil. With the exception of Mexico, these figures are based on small samples of stocks and should be treated with caution. However, they suggest that Venezuela is generously valued and that Brazil would have enormous potential if its economy were to be put back on track.

Mr Alexander Zagoroff of Lazard Freres Asset Management in New York is an investor in mutual funds. As such, he avoids some of the liquidity problems associated with direct investment.

He has for some time been overweight in Latin America: not difficult, as the world stock market indices used by many fund managers do not include a Latin American market. He points out that a weighting of 0.5 per cent in Korea at the beginning of the 1980s would have been enough to ensure that a fund manager was rated in the top 25 per cent through much of the decade, even if he just matched the indices in the rest of the portfolio.

That shapes his view about Latin America: if the markets perform as expected, returns will be high; if they collapse, then the effect on his portfolio will be limited, because such a small sum is invested.

IFC Indices (rebased)



Govett in London points out that foreign investment in the Mexican market quadrupled this year to almost \$17bn, a fifth of market capitalisation. According to Mr Lincoln Rathnam of Scudder, Stevens & Clark's emerging markets group in New York, foreigners hold half of Telcel, the state telephone group privatised last year which accounts for a third of the Mexican market.

Troubles in the negotiation of the North American Free Trade Agreement, being discussed between the US, Can-

ada and Mexico, could hit sentiment in Mexico. As it stands, the market drops on every hint from Washington that agreement might not be possible in a US election year. Mexico and others also suffer directly from US economic weakness.

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New York's strength again inspires rest of the world

WALL STREET'S strength inspired those markets open on Tuesday. All leading markets were shut yesterday.

FARIS gained further ground, but the CAC 40 index closed below the day's high of 1,787.40 at 1,765.11, up 23.80 on the day and 16 per cent on the year. Turnover was about 573bn, swelled by end-of-year window dressing and arbitrage as index futures expired.

MADRID also firmed. The general index rose 4.13 at 246.24 for a gain of 10 per cent during 1991. Turnover was moderate at about Ptas15bn, down from Ptas27bn.

MILAN encountered some profit-taking, but the Comit index still closed 3.21 higher at 507.75 - a fall on the year of 9 per cent. Generali dampened enthusiasm by falling 1.80 to an official close of 1,28,250, but it recovered later to 1,28,350.

HONG KONG closed the year at a record. The Hang Seng index gained 22.13 to 4,297.33, up 42 per cent during 1991.

Other Asia Pacific markets also rose, with AUSTRALIA's All Ordinaries index and

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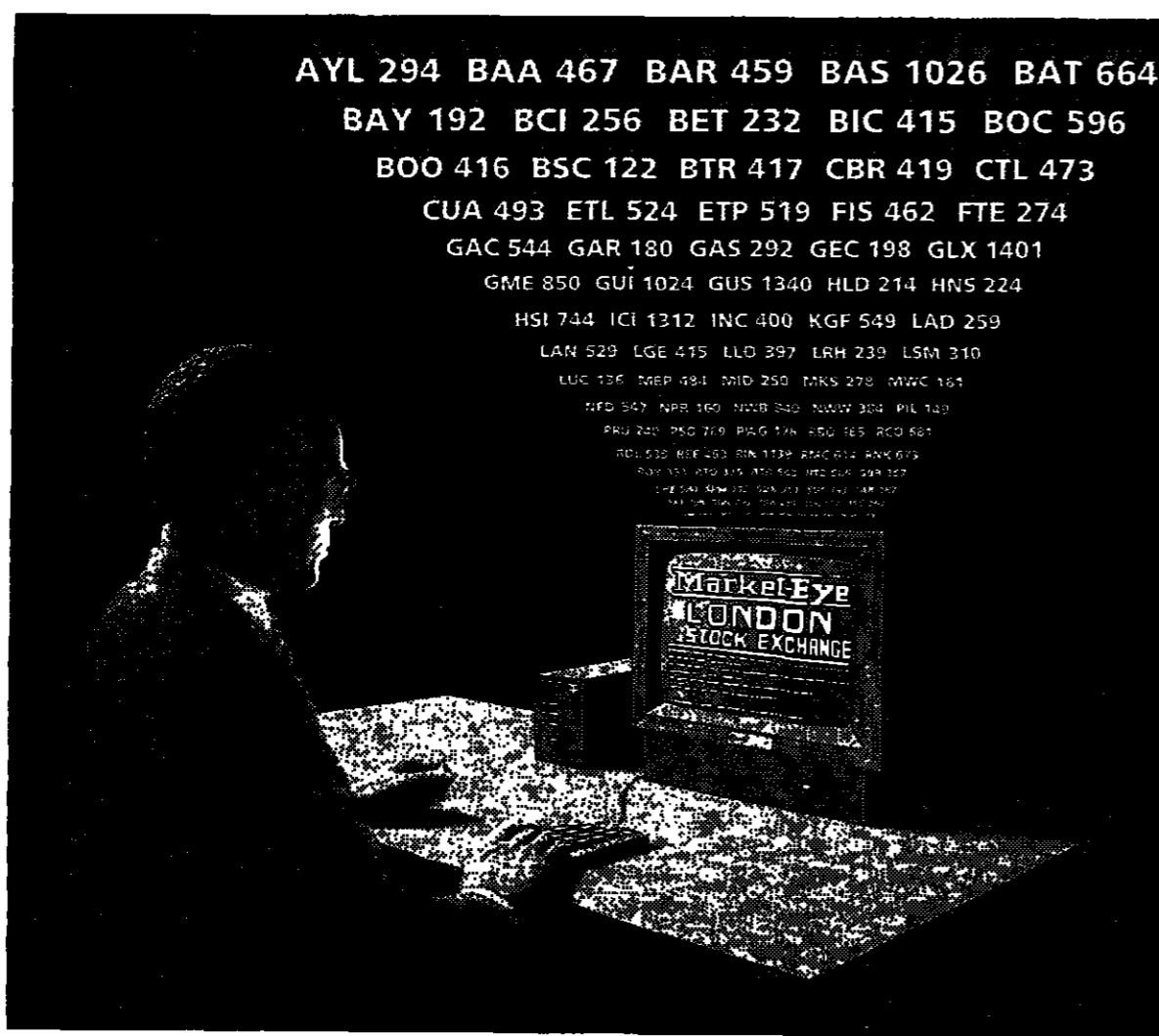
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FT-ACTUARIES WORLD INDICES																	
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries																	
NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 31 1991									MONDAY DECEMBER 30 1991					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)	
Australia (69)	150.85	+2.7	119.53	119.14	118.97	132.03	+2.6	4.21	148.93	116.68	116.74	116.11	128.70	160.31	112.74	118.05	
Austria (20)	165.53	+0.2	131.96	131.54	131.34	131.21	+0.0	2.20	168.17	131.95	132.04	131.31	131.21	222.37	133.86	196.84	
Belgium (47)	144.34	+0.3	114.58	114.00	113.84	114.24	+0.0	5.33	143.68	114.25	114.31	113.70	111.24	151.20	118.04	132.22	
Canada (115)	185.30	+0.3	108.00	107.65	107.48	114.14	+0.1	3.22	135.91	107.59	107.98	107.36	114.01	144.28	138.48	130.03	
Denmark (37)	287.15	+0.2	211.89	211.01	210.70	214.85	+0.0	1.67	285.59	211.70	211.83	210.67	214.95	270.56	217.74	232.63	
Finland (15)	78.02	+0.1	61.82	61.83	61.83	67.71	+0.0	3.80	77.97	61.92	61.96	61.82	67.71	125.15	73.32	103.14	
France (109)	150.44	+1.7	119.21	118.51	118.54	122.30	+1.5	3.82	147.97	117.50	117.57	118.22	120.47	122.26	119.11	131.75	
Germany (55)	117.33	+0.2	92.97	92.88	92.53	92.53	+0.0	2.49	117.09	92.89	92.95	92.53	92.53	125.35	94.15	111.90	
Hong Kong (55)	176.36	+0.7	139.75	139.29	139.10	176.14	+0.7	4.23	175.21	139.13	139.21	138.46	174.99	176.38	119.82	121.81	
Ireland (18)	167.81	+1.2	132.97	132.54	132.35	136.31	+1.2	3.71	165.81	131.67	131.75	131.03	133.86	182.46	132.88	148.46	
Italy (77)	75.38	+0.9	59.74	59.58	59.56	64.57	+0.6	2.85	74.06	59.58	59.74	59.14	64.26	71.99	58.23	78.31	
Japan (474)	135.82	+0.6	107.83	107.28	107.13	107.28	+0.0	0.79	135.01	107.21	107.26	106.71	107.28	146.97	118.23	124.77	
Malaysia (56)	214.18	+0.8	169.72	169.16	168.92	224.45	+0.4	2.78	212.49	168.74	168.83	167.92	223.58	247.78	189.18	212.14	
Mexico (17)	139.17	+1.7	110.27	109.79	109.70	140.25	+1.7	1.11	139.74	109.12	109.78	109.05	140.55	140.43	534.45	584.45	
Netherlands (21)	152.68	+0.2	120.38	120.56	120.42	119.08	+0.0	4.83	152.41	121.02	121.10	120.44	119.08	122.98	125.70	135.97	
New Zealand (14)	46.98	+1.3	37.23	37.11	37.05	46.17	+1.4	5.95	46.40	36.85	36.87	36.87	45.54	54.84	41.18	43.41	
Norway (28)	178.79	+0.3	141.67	141.21	141.01	144.75	+0.0	1.78	178.19	141.50	141.59	140.82	144.75	223.24	157.08	204.27	
Singapore (5)	219.68	+1.1	174.08	173.51	173.26	184.00	+0.5	2.13	217.28	172.54	172.65	171.70	183.21	219.58	151.53	153.27	
South Africa (91)	248.90	+0.1	197.23	196.59	196.30	172.93	+0.4	2.85	246.63	197.48	197.59	196.52	197.48	271.99	173.00	182.59	
Spain (53)	156.41	+1.9	123.84	123.54	123.35	114.58	+1.7	4.85	153.48	121.68	121.96	121.29	112.67	171.12	131.51	140.32	
Sweden (25)	181.14	+0.2	143.54	143.07	142.87	148.83	+0.0	3.00	180.73	143.52	143.81	142.83	148.83	204.12	146.69	159.45	
Switzerland (58)	100.37	+0.1	78.53	78.29	78.17	84.31	+0.0	2.37	100.22	78.29	78.34	78.21	84.31	100.67	82.17	83.53	
United Kingdom (235)	185.35	+3.1	146.88	146.37	146.16	148.83	+2.8	5.07	178.23	146.80	146.88	145.10	146.80	187.44	156.27	163.67	
USA (525)	189.88	+0.4	134.62	134.18	133.99	189.88	+0.4	2.87	189.17	134.34	134.42	133.69	189.17	189.88	125.95	133.51	
Europe (818)	147.68	+1.7	117.03	116.65	116.48	117.46	+1.5	4.10	145.19	115.30	115.37	114.74	115.71	151.52	125.50	134.53	
Nordic (105)	183.77	+0.2	145.82	145.15	144.94	143.90	+0.0	2.25	183.38	145.80	145.69	144.90	143.90	200.81	155.55	167.71	
Pacific Basin (718)	137.13	+0.7	108.95	108.21	108.16	109.86	+0.1	1.11	136.19	108.14	108.21	107.82	108.70	145.92	117.86	124.12	
Euro-Pacific (1537)	141.68	+1.1	112.27	111.89	111.73	113.68	+0.7	1.25	140.11	111.28	111.30	110.72	112.86	147.86	121.59	128.70	
North America (540)	167.75	+0.4	132.93	132.51	132.32	168.08	+0.4	2.89	167.05	132.96	132.75	132.04	165.41	167.75	125.91	133.02	
Europe Ex. UK (584)	125.14	+0.7	98.16	98.86	98.72	100.60	+0.6	3.38	124.22	98.84	98.72	98.19	100.05	129.80	103.58	115.51	
Pacific Ex. Japan (244)	150.04	+1.6	118.89	118.52	118.35	134.59	+1.4	3.94	147.73	117.31	117.40	116.76	132.70	153.19	111.40	115.83	
World Ex. US (1730)	143.41	+1.1	113.88	113.27	113.11	115.40	+0.7	2.38	141.88	112.87	112.86	112.12	114.81	148.18	122.32	129.54	
World Ex. UK (2020)	148.01	+0.6	117.28	116.91	116.74	130.73	+0.3	2.28	147.16	116.86	116.96	116.30	130.29	148.01	120.06	126.31	
World Ex. So. Af. (194)	150.53	+0.8	119.26	118.98	118.81	131.92	+0.6	2.56	149.38	118.82	118.70	118.08	131.15	150.63	122.92	128.48	
World Ex. Japan (1781)	180.86	+0.9	127.46	127.06	126.89	146.28	+0.9	3.55	180.38	126.96	126.95	126.97	145.05	180.86	128.69	133.71	
The World Index (2255)	151.26	+0.8	119.86	119.47	119.31	132.28	+0.6	2.57	150.02	119.13	119.21	118.58	131.51	151.26	123.28	129.80	

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(Incorporated with limited liability in Jersey)
(the "Issuer")

NOTICE OF RESULT OF MEETING to the holders of the outstanding £103,345,673 13 per cent. Convertible Capital Bonds due 2005 of the Issuer

guaranteed on a subordinated basis by THE BRENT WALKER GROUP PLC (Incorporated with limited liability in England) (the "Guarantor")